Standard Life UK Smaller Companies Trust plc

Capturing the growth potential of UK smaller companies

Annual Report
30 June 2020

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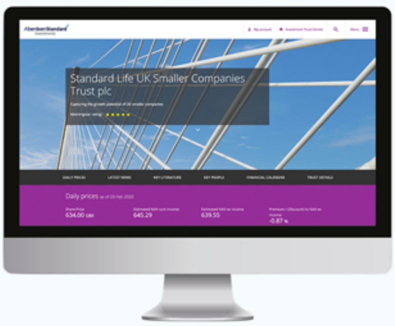
If you have sold or otherwise transferred all your Ordinary shares in Standard Life UK Smaller Companies Trust plc, please forward this document, together with the accompanying documents immediately to the purchaser or transferee, or to the stockbroker, bank or agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.



Visit our Website

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standardlifeuksmallercompaniestrust.co.uk

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"In our industry, we tend to focus on the economic impact of an unforeseen event, but as shareholders will fully appreciate, COVID-19 is much more far reaching in its impact."

Liz Airey,
Chairman

"In uncertain economic and geopolitical times our focus on Quality, Growth and Momentum has been beneficial pretty much throughout the year."

Harry Nimmo, Abby Glennie and Amanda Yeaman,
Aberdeen Standard Investments

Highlights and Financial Calendar

Net asset total return[AB]

–0.5%

2019 –1.1%

Share price total return[AB]

–0.1%

2019 –0.3%

Discount to net asset value[AB]

8.7%

2019 8.9%

Total dividends per share

7.70p

2019 7.70p

Revenue return per share

6.74p

2019 8.80p

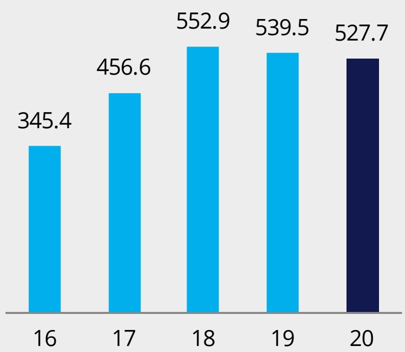
Ongoing charges ratio[AB]

0.88%

2019 0.90%

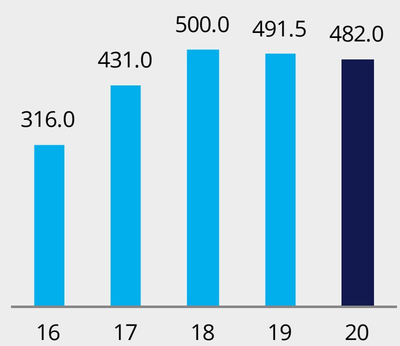
[A] Considered to be an Alternative Performance Measure. See pages 91 and 92 for more information.
[B] A Key Performance Indicator ("KPI"). See page 11 for more information on the Company's KPIs.

Net asset value per share



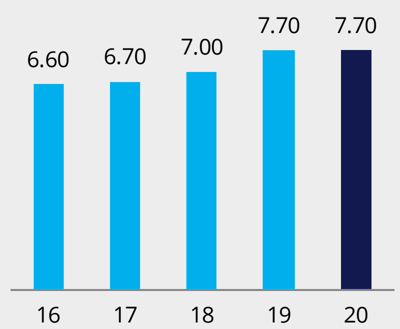
At 30 June – pence

Share price



At 30 June – pence

Dividends per share



At 30 June – pence

"For the year ended 30 June 2020, the Company's Net Asset Value total return was -0.5%, outperforming the total return of 10.7% from the Company's reference index, the Numis Smaller Companies plus AIM (ex-investment companies) Index."

Liz Airey, Chairman

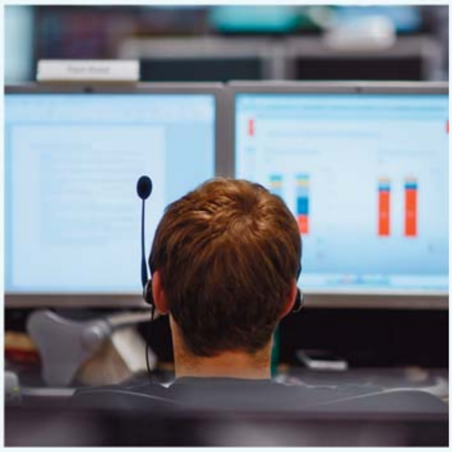
Financial Calendar

Annual General Meeting (Edinburgh)	21 October 2020
Payment of final dividend for year ending 30 June 2020	30 October 2020
Half year end	31 December 2020
Expected announcement of results for the six months ending 31 December 2020	February 2021
Payment of interim dividend for year ending 30 June 2021	9 April 2021
Financial year end	30 June 2021
Expected announcement of results for year ending 30 June 2021	September 2021

Strategic Report

The Company is an investment trust with a premium listing on the London Stock Exchange.

The Company's objective is to achieve long-term capital growth by investment in UK-quoted smaller companies.



Chairman's Statement

Introduction

It gives me great pleasure to address shareholders for the first time as Chairman following my appointment on 31 March 2020. Shareholders will all be aware of the excellent long term track record of the Company, and I would like to pay tribute to the role played by my predecessor, Allister Langlands, in leading the Company and, in particular, leading the merger with Dunedin Smaller Companies Investment Trust in October 2018.

COVID-19

Assuming the role of Chairman can be a challenge, but it is hard to envisage a more complex time to do so than eight days after the FTSE All-Share Index experienced its most abrupt four week fall since November 1987, in the wake of the COVID-19 pandemic. In our industry, we tend to focus on the economic impact of an unforeseen event, but as shareholders will fully appreciate, COVID-19 is much more far reaching in its impact. In the short term it has changed the way we live and work in a myriad of ways. The unanswerable question is to what extent and how quickly we will revert to what we knew as "normal life" and what the impact will have been on both the global and national economies. Against such a backdrop, your Investment Manager will have a task on its hands identifying the companies that will be able to adapt successfully to this new norm. The onset of the crisis in the UK, which occurred in late February, came eight months into your Company's year and so the impact on the Revenue Account was softened given much of the investment income had already been received. But clearly the 2021 Revenue Account will also be affected as a number of companies have cut or suspended their dividends.

During this period, the Board liaised closely with the Manager to receive updates on performance and to obtain confirmations that the operations of the Manager and those of other third party service providers were operating effectively.

Performance

For the year ended 30 June 2020, the Company's Net Asset Value ("NAV") total return, calculated on the basis that all dividends received are reinvested in additional shares, was -0.5%. The share price total return, calculated on the same basis, was -0.1%. By contrast, the total return of the Company's reference index, the Numis Smaller Companies plus AIM (ex-investment companies) Index, was significantly worse at -10.7%. This is, regrettably, the second year in a row that we have had to report negative absolute returns to you albeit also a second year of meaningful outperformance against the reference index. However, given the market collapse in March, when the portfolio lost almost over 40% of its value, the fact that we are reporting a NAV total return that is down only 0.5% underlines the pace of the recovery in share prices from the initial severe market reaction to the pandemic. I would also observe that one year numbers can be volatile; had the year end of the Company been in May, then we would have reported positive numbers both in 2019 and this year.

Earnings and Dividends

The basic revenue return per share for the year ended 30 June 2020 was 6.74p (2019: 8.80p). The net decline of over 23% is a consequence of dividend cuts and suspensions that were announced by a raft of investee companies largely in March and April.

This decline in earnings means that the portfolio has not generated sufficient income, after costs, to cover fully a dividend of the same amount as in 2019. The understandable reaction to the COVID crisis by a number of the investee companies of cutting their dividends is the root cause of the shortfall in distributable income. The Board discussed at length the implications of this shortfall on its options for the dividend and concluded that it should recognise one of the key benefits of investment trusts, that of being able to use revenue reserves to smooth dividends when the need arises, as in the current exceptional circumstances. In arriving at its decision, the Board considered a range of factors, including the investment objective of the Company, the likely shape of the wider recovery and the Investment Manager's outlook for the Revenue Account in 2021 and 2022. The Board also considered the implications on the revenue reserves and concluded that it was prudent to hold the dividend at the same level as in 2019, given the uncertainty in the timing of a sufficient recovery or in case there is a set back in the recovery of dividend distributions by investee companies. The Board is therefore proposing a final dividend of 5.00p per share, which will make a total dividend payment for the year of 7.70p per share, the same level as in 2019. This will require that £959,000, or 0.96p per share, is drawn from revenue reserves.

The Board is proposing a final dividend of 5.0p per share, which will make a total dividend payment for the year of 7.70p per share, the same level as in 2019.

Subject to approval by shareholders at the Annual General Meeting to be held on 21 October 2020, the final dividend will be paid on 30 October 2020 to shareholders on the register on 2 October 2020 with an associated ex-dividend date of 1 October 2020.

Ongoing Charges

The ongoing charges ratio for the year ended 30 June 2020 was 0.88% (2019: 0.90%). The Company has benefited from the management fee reduction put in place from July 2018 and economies of scale following the merger with Dunedin Smaller Companies Investment Trust PLC in October 2018. The ongoing charges figure for the year is the lowest that it has been over the lifetime of the Company.

Discount Control and Buy Backs

At the year end the discount of the share price to the cum-income NAV was 8.7% (2019: 8.9%).

The discount was more volatile than in previous years, even before the events of March. Over late summer and early autumn in 2019 it traded around the 8% limit where the Board has indicated that it will intervene and buy back shares. In August and September, the Company bought back 485,640 shares. However, from then until the end of 2019, the share price outperformed the NAV and the Company ended the calendar year on a 1.8% premium. While the Board could have issued shares, it concluded that the thin volumes over the Christmas period were not representative of the balance between supply and demand. The premium did not endure into the new year. During March, the volatility of the share price and NAV increased to the point where in five trading days the share price moved from trading at a premium of 5% to a discount of 16%. The Board considered that the Company was not operating in "normal market conditions" and did not look to issue or buy back shares until markets became more stable, and the Company then bought back a small number of shares in May.

> The Board aims to ensure that the discount to the cum-income net asset value does not exceed 8% in normal market conditions.

Over the year, the Board bought back 520,213 shares, equating to 0.5% of the Company's issued share capital, at a total cost of £2.4 million and a weighted average price of 466.15p per share. The weighted average discount was 8.8%. The Board calculates that this has added 0.2p per share to the NAV for remaining shareholders.

The Board aims to ensure that the discount to the cum-income net asset value does not exceed 8% in normal market conditions. The timing and scale of share buy-backs will be at the discretion of the Board. Full details of the Board's Discount Control Policy can be found on page 16 and a five year chart of the movement in the discount compared to the peer group and the discount control mechanism threshold can be found on page 23. The average discount for the year as a whole was 5.6%.

Gearing

The Board has given the Investment Manager discretion to vary the level of gearing between 5% net cash and 25% net gearing (at the time of drawdown). During the year, £25 million of fixed-rate borrowing was deployed at a fixed cost of 2.349%. The £20 million revolving credit facility was drawn in full in December 2019. However, as the impact of COVID-19 became apparent, the facility was repaid in full towards the end of March 2020. At the year end, the gross level of borrowings was offset by cash and cash equivalents of £26.5 million so that the Company had net cash of 0.3% (2019: net gearing 1.5%).

Board Succession

As previously announced, Allister Langlands retired from the Board on 31 March 2020. Allister had been a Director of the Company for 5½ years, including 2½ years as Chairman during which time he oversaw the merger with Dunedin Smaller Companies Investment Trust which has helped consolidate the position of the Company. The Board wishes him well in his retirement.

AGM and Investment Manager's Presentation

The Board intends to hold the Annual General Meeting ("AGM") of the Company at the offices of the Manager, Aberdeen Standard Investments, 6 St Andrew Square, Edinburgh EH2 2BD at 12 noon on 21 October 2020.

The Board has been considering how best to deal with the potential impact of the COVID-19 pandemic on arrangements for the Company's AGM. The Company is required by law to hold an AGM and the Board had been working on the basis that the Company's AGM would be held on 21 October 2020 as previously scheduled. Given the possibility that some measure of restriction on public gatherings and maintaining social distancing may remain in place in October, the Board has resolved to amend the format of the AGM for this year. Therefore, whilst the formal

Chairman's Statement Continued

business of the AGM (as set out in the Notice of AGM on pages 105 to 112 of this document) will be considered, the meeting will be functional only, and will follow the minimum legal requirements for an AGM. There will be no physical presentation from the investment managers and no refreshments will be offered. If the guidance on public gatherings remain in place in October, shareholders are strongly discouraged from attending the meeting and indeed entry may be refused if the law and/or Government guidance so requires. In such circumstances, arrangements will be made by the Company to ensure that the minimum number of shareholders required to form a quorum will attend the meeting in order that the meeting may proceed and the business concluded. The Board considers these revised arrangements to be in the best interests of shareholders in the current circumstances.

A presentation from the Investment Manager, along with the AGM results, will be made available to shareholders on the Company's website shortly after the AGM.

In light of the developing situation and the revised format of this year's meeting, shareholders are encouraged to raise any questions in advance of the AGM with the Company Secretary at **standardlife.smaller@aberdeenstandard.com** (please include 'SLS AGM' in the subject heading). Questions must be received by 5.00pm on 19 October 2020. Any questions received will be replied to by either the Manager or Board via the Company Secretary.

In light of the outbreak and evolving government guidance, the Company will continue to keep arrangements for the AGM under review and it is possible the arrangements will need to change. We will keep shareholders updated of any changes through the Company's website (**standardlifeuksmallercompaniestrust.co.uk**) and announcements to the London Stock Exchange. We trust that shareholders will be understanding of this approach.

The Board strongly encourages all shareholders to exercise their votes in respect of the meeting in advance by completing the enclosed form of proxy, or letter of direction for those who hold shares through the Aberdeen Standard Investments savings plans. This should ensure that your votes are registered in the event that physical attendance at the AGM is not possible or restricted. Further details on how to attend and vote at Company Meetings for holders of shares via other share plans and platforms can be found on the AIC's website at: **theaic.co.uk/aic/shareholder-voting-consumer-platforms.**

Amendments to the Articles of Association

The Board is proposing that the Company adopts amended Articles of Association at the Annual General Meeting. The proposed amendments being introduced primarily relate to changes in law and regulation and developments in market practice since the existing Articles of Association were adopted, and principally include:

- provisions enabling the Company to hold shareholder meetings using electronic means (as well as physical shareholder meetings or hybrid meetings); and
- changes in response to the introduction of international tax regimes requiring the exchange of information.

A summary of the principal amendments being introduced in the new Articles of Association which the Board considers will be of most interest to shareholders is set out in the appendix to the Notice of AGM on pages 111 to 112.

While the new Articles of Association (if adopted) would permit shareholder meetings to be conducted using electronic means, these provisions will only be used where the Directors consider it is in the best of interests of shareholders for a hybrid or virtual-only meeting to be held. Nothing in the new Articles of Association will prevent the Company from holding physical shareholder meetings.

The amendments in relation to holding shareholder meetings using electronic means are being sought in response to challenges posed by government restrictions on social interactions as a result of the COVID-19 pandemic, which have made it impossible for shareholders to attend physical general meetings. The Board recognises that the AGM is an important occasion where shareholders can meet and question the Manager and the Board.

The Board is committed to ensuring that future general meetings (including AGMs) incorporate a physical meeting where shareholders can meet with the Board, face to face, and where law and regulation permits. The potential to hold a general meeting through wholly electronic means is intended as a solution to be adopted as a last resort to ensure the continued smooth operation of the Company in extreme operating circumstances where physical meetings are effectively prohibited.

The Directors have no present intention of holding a virtual-only general meeting.

Outlook

While the future is always, by its very nature, uncertain, visibility is particularly foggy at present. The outcome of the US presidential election in November will inevitably have far-reaching implications for geopolitics given the very different stances of the two candidates. Closer to home, the Brexit negotiations appear to be making slow progress and given the limited time to complete them, the possibility of a hard Brexit remains. These events are coming on the back of the COVID crisis, which caused much of the global economy to come to a sudden halt. The level and speed of the return of economic activity in many sectors is unpredictable given that the virus has not been overcome, there is no vaccine and there is a great deal of concern about the likelihood and impact of a second wave.

Against such a backdrop, it must be assumed that the UK's path to recovery will be patchy and may suffer setbacks before it is fully established. But, as is clear from the Investment Manager's Review, the COVID crisis has affected different sectors in different ways. Some areas of the economy effectively stopped and will remain fragile for some time, while others have been beneficiaries from the move to homeworking. The Board takes comfort from the fact that the Investment Manager's process has been effective in identifying the companies that have had the resilience to weather the storm thus far. The portfolio has recovered strongly since the nadir in mid-March, outperforming the reference index, the FTSE All-Share Index and most of the peer group and, at the time of writing, has generated positive total returns over the last twelve months.

The Board remains confident that the Investment Manager's process is robust and should continue to deliver outperformance over the long term.

In line with the likely path of the recovery, it is eminently possible that the Company will face set backs in the short term, and the Investment Manager has stressed that the portfolio often underperforms in times of sharp recovery, when the share prices of companies most affected by a downturn often bounce very quickly from the depressed levels at which they had been trading, however the Board remains confident that the Investment Manager's process is robust and should continue to deliver outperformance over the long term.

Liz Airey
Chairman
8 September 2020

Overview of Strategy

Business
The Company is an investment trust with a premium listing on the London Stock Exchange.

Investment Objective
The Company's objective is to achieve long-term capital growth by investment in UK-quoted smaller companies.

Investment Policy
The Company intends to achieve its investment objective by investing in a diversified portfolio consisting mainly of UK-quoted smaller companies. The portfolio will normally comprise around 50 individual holdings representing the Investment Manager's highest conviction investment ideas. In order to reduce risk in the Company without compromising flexibility, no holding within the portfolio should exceed 5% of total assets at the time of acquisition.

The Company may use derivatives for portfolio hedging purposes (i.e. only for the purpose of reducing, transferring or eliminating the investment risks in its investments in order to protect the Company's portfolio).

Within the Company's Articles of Association, the maximum level of gearing is 100% of net assets. The Directors have set parameters of between 5% net cash and 25% net gearing (at the time of drawdown) for the level of gearing that can be employed in normal market conditions. The Directors have delegated responsibility to the Investment Manager for the operation of the gearing level within the above parameters.

Board Investment Limits
The Directors have set additional guidelines in order to reduce the risk borne by the portfolio:

- Companies with a market capitalisation of below £50 million should not represent more than 5% of total assets.
- Companies involved in "Blue Sky" products should not represent more than 5% of total assets.
- No more than 50% of the portfolio should be invested in companies that are constituents of the FTSE AIM All-Share Index.

Investment Process
The Investment Manager's investment process combines asset allocation, stock selection, portfolio construction, risk management, and dealing. The investment process has evolved out of the Investment Manager's 'Focus on Change' philosophy and is led by Quality, Growth and Momentum. The Investment Manager's stock selection led investment process involves compiling a shortlist of potential investments using a proprietary screening tool known as "The Matrix" which reflects Quality, Growth and Momentum based factor analysis. The final portfolio is research intensive and includes face to face meetings with senior management of these potential investments. This disciplined process has been employed for many years and has delivered a consistency of performance through economic and market cycles.

Further information on the investment process is contained on pages 30 to 31.

Reference Index
The Company's reference index is the Numis Smaller Companies plus AIM (ex investment companies) Index.

Delivering the Investment Objective
The Directors are responsible for determining the Company's investment objective and investment policy. Day-to-day management of the Company's assets has been delegated, via the Alternative Investment Fund Manager (the "AIFM"), to the Investment Manager.

Promoting the Success of the Company
The Board's statement on pages 18 to 20 describes how the Directors have discharged their duties and responsibilities over the course of the financial year under section 172 (1) of the Companies Act 2006 and how they have promoted the success of the Company. That statement forms part of the Strategic Report.

The Board believes that the success of the Company is best served through the measurement of Key Performance Indicators ("KPIs"), details of which are included below.

Key Performance Indicators ("KPIs")

The Board assesses the performance of the Company against the range of KPIs shown below over a variety of timeframes, but has particular focus on the long term, which the Board considers to be at least five years.

KPI	Description
Net asset value ("NAV") total return performance	The Board measures the Company's NAV total return performance against the total return of the reference index (the Numis Smaller Companies plus AIM (ex investment companies) Index) and its peer group of investment trusts. The figures for this year and for the past three, five and ten years are shown in the table on page 22. The NAV total return has outperformed the reference index and peer group weighted average over all of these time periods.
Share price total return performance	The Board measures the Company's share price total return performance against the total return of the reference index and its peer group of investment trusts. The figures for this year and for the past three, five and ten years are shown in the table on page 22. The share price total return has outperformed the reference index and peer group weighted average over all of these time periods.
Discount/premium to NAV	The Board compares the discount or premium of the Ordinary share price to the NAV per share to the discount of the peer group and also to the threshold of the Company's discount target on a rolling 12 month basis. A summary of the discount for the past ten years is included in the table in page 24. A chart showing the discount during the year for the Company and the peer group, measured against the discount target level, is shown in page 23. The average discount for the year as a whole was 5.6%.
Ongoing charges	The Board monitors the Company's ongoing charges ratio against prior years and other similar sized companies in the peer group. A summary of the ongoing charges ratio for the past ten years is included in the table in page 24. The ongoing charges ratio of 0.88% for the year ended 30 June 2020 is the lowest that it has been over the lifetime of the Company.

Overview of Strategy Continued

Principal Risks and Uncertainties

The Board carries out a regular review of the risk environment in which the Company operates, changes to the environment and individual risks. The Board also considers emerging risks which might affect the Company. During the year, the most significant risk was the emergence of the COVID-19 virus during the first part of 2020 which has impacted dramatically on public health and mobility, but has also had a significant adverse influence on global financial markets and the future economic outlook.

There are a number of other risks which, if realised, could have a material adverse effect on the Company and its financial condition, performance and prospects. The Board has carried out a robust assessment of the Company's principal and emerging risks, which include those that would threaten its business model, future performance, solvency, liquidity or reputation.

The principal risks and uncertainties faced by the Company are reviewed by the Audit Committee in the form of a risk matrix and the Committee also gives consideration to the emerging risks facing the Company.

The principal risks and uncertainties facing the Company at the current time, together with a description of the mitigating actions the Board has taken, are set out in the table below.

The principal risks associated with an investment in the Company's shares are published monthly in the Company's factsheet and they can be found in the pre-investment disclosure document ("PIDD") published by the Manager, both of which are available on the Company's website.

Risk	Mitigating Action
Strategy - the Company's objectives or the investment trust sector as a whole become unattractive to investors, leading to a fall in demand for the Company's shares.	Through regular updates from the Manager, the Board monitors the discount/premium at which the Company's shares trade relative to the NAV. It also holds an annual strategy meeting and receives feedback from the Company's broker and updates from the Manager's investor relations team at Board meetings.
Investment performance - the appointment or continuing appointment of an investment manager with inadequate resources, skills or experience, or the adoption of inappropriate strategies in pursuit of the Company's objectives could result in poor investment performance, a loss of value for shareholders and a widening discount.	The Board meets the Manager on a regular basis and keeps investment performance under close review. Representatives of the Investment Manager attend all Board meetings and a detailed formal appraisal of the Manager is carried out by the Management Engagement Committee on an annual basis. The Board sets and monitors the investment restrictions and guidelines and receives regular reports which include performance reporting on the implementation of the investment policy, the investment process, risk management and application of the guidelines.
Key person risk - a change in the key personnel involved in the investment management of the portfolio could impact on future investment performance and lead to loss of investor confidence.	The Board discusses key person risk and succession planning with the Manager and Investment Manager on a periodic basis. The Investment Manager employs a standardised investment process for the management of the portfolio. The well-resourced smaller companies team has grown in size over a number of years. These factors mitigate against the impact of the departure of any one member of the investment team. Biographies of the team members involved with the management of the Company's portfolio are included on page 94.

Risk	Mitigating Action
Share price - failure to manage the discount effectively or an inappropriate marketing strategy could lead to a fall in the share price relative to the NAV per share.	The Company operates a discount control mechanism and aims to maintain a discount level of less than 8% to the cum-income NAV under normal market conditions. Details of the discount control mechanism are contained on page 16. The Directors undertake a programme of inviting major shareholders to discuss issues of governance or strategy with the Chairman or Senior Independent Director. In addition, the Company participates in the Manager's investment trust promotional programme where the Manager has an annual programme of meetings with institutional shareholders and reports back to the Board on these meetings.
Financial instruments - insufficient oversight or controls over financial risks, including market price risk, liquidity risk and credit risk could result in losses to the Company.	As stated above, the Board sets investment guidelines and restrictions which are reviewed regularly and the Manager reports on compliance with them at Board meetings. Further details of the Company's financial instruments and risk management are included in note 16 to the financial statements.
Financial obligations - inadequate controls over financial record keeping and forecasting, the setting of an inappropriate gearing strategy or the breaching of loan covenants could result in the Company being unable to meet its financial obligations, losses to the Company and its ability to continue trading as a going concern.	At each Board meeting, the Board reviews management accounts and receives a report from the Depositary detailing any breaches during the period under review. The Board sets gearing limits and monitors the level of gearing and compliance with the main financial covenants at Board meetings. The Company's annual financial statements are audited by the Independent Auditor. The Audit Committee meets a representative from the Manager's Internal Audit team on an annual basis.
Regulatory - failure to comply with relevant laws and regulations could result in fines, loss of reputation and potential loss of investment trust status.	The Board receives updates on relevant changes in regulation from the Manager, industry bodies and external advisers and the Board and Audit Committee monitor compliance with regulations by review of checklists and internal controls reports from the Manager. Directors are encouraged to attend relevant external training courses.

Overview of Strategy Continued

Risk	Mitigating Action
Operational - the Company is dependent on third parties for the provision of all systems and services (in particular those of the Manager and the Depositary) and any control failures and gaps in their systems and services could result in a loss or damage to the Company.	The Audit Committee receives reports from the Manager on its internal controls and risk management (including an annual ISAE Report) and receives assurances from all its other significant service providers on at least an annual basis, including on matters relating to business continuity and cyber security. The Audit Committee meets a representative from the Manager's Internal Audit team on an annual basis. Written agreements are in place with all third party service providers. The Manager monitors closely the control environments and quality of services provided by third parties, including those of the Depositary, through service level agreements, regular meetings and key performance indicators. A formal appraisal of the Company's main third party service providers is carried out by the Management Engagement Committee on an annual basis. The operational requirements of the Company have been subject to rigorous testing and application during the COVID-19 pandemic, including increased use of online communication and out of office working and reporting, which to date have proved to be robust.
Exogenous risks such as health, social, financial, economic and geopolitical - the effects of instability or change arising from these risks could have an adverse impact on stock markets and the value of the investment portfolio. Political risks include the terms of the UK's exit from the European Union, any regulatory changes resulting from a different political environment, and wider geo-political issues.	The Board discusses current issues with the Manager (including the UK's exit from the European Union) and the steps that the Manager is taking to limit the impact on the Company's portfolio. The Board is conscious of the recent impact on financial markets caused by the outbreak of the COVID-19 virus around the world since the beginning of 2020. The Board considers that this is a risk that could have further implications for global financial markets, economies and on the operating environment of the Company, the impact of which is difficult to predict at the current juncture. During this period, the Board liaised closely with the Manager to receive updates on performance and to obtain confirmations that the operations of the Manager and those of other third party service providers were operating effectively.

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Promotional Activities

The Board recognises the importance of promoting the Company to prospective investors both for improving liquidity and enhancing the rating of the Company's shares. The Board believes one effective way to achieve this is through subscription to, and participation in, the promotional programme run by Aberdeen Standard Investments on behalf of a number of investment trusts under its management. The Company's financial contribution to the programme is matched by Aberdeen Standard Investments. The Company also supports Aberdeen Standard Investments' investor relations programme which involves regional roadshows, promotional and public relations campaigns. Aberdeen Standard Investments' promotional and investor relations teams report to the Board on a quarterly basis giving analysis of the promotional activities as well as updates on the shareholder register and any changes in the make up of that register.

The Board recognises the importance of communicating effectively with existing shareholders and prospective investors. The promotional programme includes commissioning independent paid for research on the Company, most recently from Edison Investment Research Limited. A copy of the latest research note is available from the Latest News section of the Company's website.

Board Diversity Policy

The Board recognises the importance of having a range of skilled, experienced individuals with the right knowledge represented on the Board in order to allow it to fulfil its obligations. The Board also recognises the benefits and is supportive of the principle of diversity in its recruitment of new Board members. The Board will not display any bias for age, gender, race, sexual orientation, religion, ethnic or national origins, or disability in considering the appointment of its Directors. In view of its size, the Board will continue to ensure that all appointments are made on the basis of merit against the specification prepared for each appointment and the Board does not therefore consider it appropriate to set measurable objectives in relation to its diversity.

At 30 June 2020, there were two male and three female Directors on the Board.

Modern Slavery Act

Due to the nature of its business, being a company that does not offer goods and services to customers, the Board considers that the Company is not within the scope of the Modern Slavery Act 2015 because it has no turnover. The Company is therefore not required to make a slavery and human trafficking statement. In any event, the Board considers the Company's supply chains, dealing predominantly with professional advisers and service providers in the financial services industry, to be low risk in relation to this matter.

Environmental, Social and Human Rights Issues

The Company has no employees as the Board has delegated the day to day management and administrative functions to the Manager. There are therefore no disclosures to be made in respect of employees. The Company's socially responsible investment policy is set out below.

Environmental, Social and Governance ("ESG") Investing

Whilst the management of the Company's investments is not undertaken with any specific instructions to exclude or include certain asset types or classes, the Investment Manager embeds ESG considerations into the research and analysis of each asset class as part of the investment decision-making process. Where applicable, active engagement and other stewardship activities such as voting in line with best practices, with the goal of improving the performance of assets held around the world, is also an important part of the Investment Manager's approach.

The Investment Manager aims to make the best possible investments for the Company, by understanding the whole picture of the investments - before, during and after an investment is made. That includes understanding the ESG risks and opportunities they present, and how these could affect longer-term performance. ESG considerations underpin all investment activities. With more than 1,000 investment professionals, the Investment Manager is able to take account of ESG factors in its company research, stock selection and portfolio construction, supported by more than 50 asset class specific ESG specialists around the world.

Overview of Strategy Continued

Responsible Investment
The Board is aware of its duty to act in the interests of the Company. The Board acknowledges that there are risks associated with investment in companies which fail to conduct business in a socially responsible manner and has noted the Investment Manager's policy on social responsibility. The Investment Manager considers social, environmental and ethical factors which may affect the performance or value of the Company's investments as part of its investment process. In particular, the Investment Manager encourages companies in which investments are made to adhere to best practice in the areas of ESG stewardship. The Investment Manager believes that this can best be achieved by entering into a dialogue with company management to encourage them, where necessary, to improve their policies.

The Company's ultimate objective is to deliver long term growth on its investments for its shareholders which the Board and Investment Manager believes will be produced on a sustainable basis by investments in companies which adhere to best practice in ESG. Accordingly, the Investment Manager will seek to favour companies which pursue best practice.

Active Engagement
Through engagement and exercising voting rights, the Investment Manager actively works with companies to improve corporate standards, transparency and accountability. By making ESG central to its investment capabilities, the Investment Manager looks to deliver robust outcomes as well as actively contributing to a fairer, more sustainable world.

The primary goal of the Investment Manager is to generate the best long-term outcomes for the Company in order to fulfil fiduciary responsibilities to shareholders and this fits with one of the Investment Manager's core principles as a business in how it evaluates investments. The Investment Manager sees ESG factors as being financially material and impacting corporate performance. The Investment Manager focuses on understanding the ESG risks and opportunities of investments alongside other financial metrics to make better investment decisions.

The Investment Manager aims for better risk-adjusted returns by actively undertaking informed and constructive engagement and asset management to generate better performance from its investments. Comprehensive assessment of ESG factors, combined with constructive company engagement, should lead to better client outcomes.

Stewardship
The Company supports the UK's Stewardship Code, and seeks to play its role in supporting good stewardship of the companies in which it invests. Responsibility for actively monitoring the activities of portfolio companies has been delegated by the Board to the Manager which has sub-delegated that authority to the Investment Manager. Standard Life Aberdeen plc is a tier 1 signatory of the UK Stewardship Code which aims to enhance the quality of engagement by investors with investee companies in order to improve their socially responsible performance and the long term investment return to shareholders. While delivery of stewardship activities has been delegated to the Manager, the Board acknowledges its role in setting the tone for the effective delivery of stewardship on the Company's behalf.

The Board has also given discretionary powers to the Manager to exercise voting rights on resolutions proposed by the investee companies within the Company's portfolio. The Manager reports on a quarterly basis on stewardship (including voting) issues.

Global Greenhouse Gas Emissions
The Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

Discount Control Policy
The Board operates a discount control mechanism which targets a maximum discount of the share price to the cum-income net asset value of 8% under normal market conditions. In pursuit of this objective, the Board closely monitors the level of the discount and buys back shares in the market when it believes it is in the best interests of shareholders as a whole to do so. At each Annual General Meeting, the Board seeks shareholder approval to buy back up to 14.99% of the Company's share capital. Share buy-backs will only be made where the Board believes it to be in the best interests of shareholders as a whole and the making and timing of share buy-backs will be at the discretion of the Board.

The Company has a tender offer mechanism in place and the Board intends to continue to seek shareholder approval at each Annual General Meeting to enable it to carry out tender offers on a discretionary basis in circumstances where the Board believes that share buy-backs are not sufficient to maintain the discount at an appropriate level, although it expects that buy-backs should be the primary mechanism for managing the discount.

Viability Statement

The Board considers that the Company, which does not have a fixed life, is a long term investment vehicle and, for the purposes of this statement, has decided that five years is an appropriate period over which to consider its viability. The Board considers that this period reflects a balance between looking out over a long term horizon and the inherent uncertainties of looking out further than five years.

Taking into account the Company's current financial position and the potential impact of its principal risks and uncertainties, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due for a period of five years from the date of this Report.

In assessing the viability of the Company over the review period, the Directors have focused upon the following factors:

- The principal risks and uncertainties detailed on pages 12 to 14 and the steps taken to mitigate these risks.
- The Company is invested in readily-realisable listed securities in normal market conditions and there is a spread of investments held.
- The Company is closed ended in nature and therefore it is not required to sell investments when shareholders wish to sell their shares.
- The Company's long term performance record as shown on page 22.
- The Company's level of gearing. The Company had a net cash balance of 0.3% of net assets as at 30 June 2020. The Company has a £45 million unsecured loan facility agreement with The Royal Bank of Scotland International Limited which matures on 31 October 2022. The Board has set overall limits for borrowing and reviews regularly the Company's level of gearing, cash flow projections and compliance with banking covenants. The Board has also performed stress testing and liquidity analysis.
- The Company typically has cash balances which, including money market funds, at 30 June 2020 amounted to £26.5 million. These balances allow the Company to meet liabilities as they fall due.
- The level of ongoing charges.
- There are no capital commitments currently foreseen that would alter the Board's view.
- Current market conditions caused by the global spread of the COVID-19 virus. In particular, the Board has considered the operational ability of the Company to continue in the current environment, which has been impacted by the global COVID-19 pandemic and the ability of the key third-party suppliers to continue to provide essential services to the Company.

In assessing the Company's future viability, the Board has assumed that shareholders will wish to continue to have exposure to the Company's activities in the form of a closed ended entity, performance will continue to be satisfactory, and the Company will continue to have access to sufficient capital.

In making its assessment, the Board is also aware that there are other matters that could have an impact on the Company's prospects or viability in the future, including a greater than anticipated economic impact of the spread of the COVID-19 virus, economic shocks or significant stock market volatility caused by other factors, and changes in regulation or investor sentiment.

Future Strategy

The Board intends to maintain the strategic policies set out in the Strategic Report for the year ending 30 June 2021 as it is believed that these are in the best interests of shareholders.

On behalf of the Board
Liz Airey
Chairman
8 September 2020

Promoting the Success of the Company

How the Board Meets its Obligations under Section 172 of the Companies Act

The Board is required to describe to the Company's shareholders how the Directors have discharged their duties and responsibilities over the course of the financial year under section 172 (1) of the Companies Act 2006 (the "Section 172 Statement"). This statement provides an explanation of how the Directors have promoted the success of the Company for the benefit of its members as a whole, taking into account the likely long term consequences of decisions, the need to foster relationships with all stakeholders and the impact of the Company's operations on the environment.

The Purpose of the Company and Role of the Board

The purpose of the Company is to act as an investment vehicle to provide, over time, financial returns (both income and capital) to its shareholders. Investment trusts, such as the Company, are long-term investment vehicles and are typically externally managed, have no employees, and are overseen by an independent non-executive board of directors.

The Board, which at the end of the year, comprised five independent non-executive Directors with a broad range of skills and experience across all major functions that affect the Company, retains responsibility for taking all decisions relating to the Company's investment objective and policy, gearing, corporate governance and strategy, and for monitoring the performance of the Company's service providers.

The Board's philosophy is that the Company should operate in a transparent culture where all parties are treated with respect and provided with the opportunity to offer practical challenge and participate in positive debate which is focused on the aim of achieving the expectations of shareholders and other stakeholders alike. The Board reviews the culture and manner in which the Manager and Investment Manager operate at its meetings and receives regular reporting and feedback from the other key service providers. The Board is very conscious of the ways it promotes the Company's culture and ensures as part of its regular oversight that the integrity of the Company's affairs is foremost in the way that the activities are managed and promoted. The Board works very closely with the Manager and Investment Manager in reviewing how stakeholder issues are handled, ensuring good governance and responsibility in managing the Company's affairs, as well as visibility and openness in how the affairs are conducted.

The Company's main stakeholders have been identified as its shareholders, the Manager (and Investment Manager), service providers, investee companies and debt providers. More broadly, the environment and community at large are also stakeholders in the Company.

How the Board Engages with Stakeholders

The Board considers its stakeholders at Board meetings and receives feedback on the Manager's interactions with them.

Stakeholder	How We Engage
Shareholders	Shareholders are key stakeholders and the Board places great importance on communication with them. The Board welcomes all shareholders' views and aims to act fairly to all shareholders. The Manager and Company's broker regularly meet with current and prospective shareholders to discuss performance and shareholder feedback is discussed by the Directors at Board meetings. In addition, Directors meet shareholders at the Annual General Meeting. The Company subscribes to Aberdeen Standard Investments' investor relations programme in order to maintain communication channels with the Company's shareholder base. Regular updates are provided to shareholders through the Annual Report, Half Yearly Report, monthly factsheets, Company announcements, including daily net asset value announcements, and the Company's website. The Company's Annual General Meeting usually provides a forum, both formal and informal, for shareholders to meet and discuss issues with the Directors and Manager. Typically, the Board encourages as many shareholders as possible to attend the Company's Annual General and to provide feedback on the Company. This year, due to the uncertainties caused by the COVID-19 pandemic and, in particular, the restrictions on public gatherings and requirements to socially distance, it is likely that the Annual General Meeting will be held on a functional only basis, satisfying the minimum legal requirements. Instead, shareholders are encouraged to submit questions to the Board and the Manager. Further details can be found in the Chairman's Statement on pages 7 to 8.

Stakeholder	How We Engage
Manager (and Investment Manager)	The Investment Manager's Review on pages 25 to 29 details the key investment decisions taken during the year. The Investment Manager has continued to manage the Company's assets in accordance with the mandate provided by shareholders, with oversight provided by the Board. The Board regularly reviews the Company's performance against its investment objective and the Board undertakes an annual strategy review meeting to ensure that the Company is positioned well for the future delivery of its objective for its stakeholders. The Board receives presentations from the Investment Manager at every Board meeting to help it to exercise effective oversight of the Investment Manager and the Company's strategy. The Board, through the Management Engagement Committee, formally reviews the performance of the Manager at least annually. More details are provided on page 51.
Service Providers	The Board seeks to maintain constructive relationships with the Company's suppliers and the regulator either directly or through the Manager with regular communications and meetings. The Management Engagement Committee conducts an annual review of the performance, terms and conditions of the Company's main service providers to ensure they are performing in line with Board expectations, carrying out their responsibilities and providing value for money.
Investee Companies	Responsibility for monitoring the activities of portfolio companies has been delegated by the Board to the Manager which has sub-delegated that authority to the Investment Manager. The Board has also given discretionary powers to the Manager to exercise voting rights on resolutions proposed by the investee companies within the Company's portfolio. The Manager reports on a quarterly basis on stewardship (including voting) issues. Through engagement and exercising voting rights, the Investment Manager actively works with companies to improve corporate standards, transparency and accountability. Further details are provided on pages 15 to 16. The Board monitors investments made and divested and questions the rationale for investment and voting decisions made.
Debt Providers	On behalf of the Company, the Manager maintains a positive working relationship with The Royal Bank of Scotland International Limited, the provider of the Company's loan facility, and provides regular updates on business activity and compliance with its loan covenants.

Promoting the Success of the Company Continued

Specific Examples of Stakeholder Consideration During the Year

While the importance of giving due consideration to the Company's stakeholders is not a new requirement, and is considered during every significant Board decision, the Directors were particularly mindful of stakeholder considerations during the following decisions undertaken during the year ended 30 June 2020. Each of these decisions was made after taking into account the short and long term benefits for stakeholders. Time was also spent in ensuring the Board met corporate governance requirements which continue to evolve, including the introduction of the new AIC Code of Corporate Governance.

Portfolio

The Investment Manager's Review on pages 25 to 29 details the key investment decisions taken during the year. The overall shape and structure of the investment portfolio is an important factor in delivering the Company's stated investment objective. As explained in more detail on page 51, during the year, the Management Engagement Committee decided that the continuing appointment of the Manager was in the best interests of shareholders.

Dividends

Following the payment of the final dividend for the year, of 5.0p per Ordinary share, total dividends for the year will amount to 7.7p per Ordinary share, unchanged from the previous year.

Share Buy Backs

In accordance with the discount control policy included on page 16, during the year the Company bought back 520,213 Ordinary shares to be held in treasury, providing a small accretion to the NAV per share and a degree of liquidity to the market at times when the discount to the NAV per share has widened in normal market conditions. It is the view of the Board that this policy is in the interest of all shareholders.

At the end of December 2019, the Company's shares were trading at a premium of 1.8%. While the Board could have issued shares, it concluded that the thin volumes over the Christmas period were not representative of the balance between supply and demand. The premium did not endure into the new year.

Amendments to the Articles of Association

The Board is proposing that the Company adopt amended Articles of Association (the "New Articles") at the Annual General Meeting this year. The proposed amendments being introduced in the New Articles primarily relate to changes in law and regulation and developments in market practice since the existing Articles of Association were adopted, and principally include:

- provisions enabling the Company to hold shareholder meetings using electronic means (as well as physical shareholder meetings or hybrid meetings); and
- changes in response to the introduction of international tax regimes requiring the exchange of information.

A summary of the principal amendments being introduced in the New Articles which the Board considers will be of most interest to shareholders is set out in the appendix to the Notice of AGM (on pages 111 to 112 of this document).

Directorate

The Board progressed its succession plans during the year resulting in the decision to appoint Liz Airey as an independent non-executive Director on 21 August 2019 and Chairman with effect from 31 March 2020. Further details are provided in the Directors' Report on pages 48 and 51. The Board considers that shareholders' interests are best served by ensuring a smooth and orderly refreshment of the Board which serves to provide continuity and maintain the Board's open and collegiate style.

Results

	30 June 2020	30 June 2019	% change
Capital return			
Total assets (as defined on page 99)	£553.0m	£567.6m	(2.6%)
Equity shareholders' funds	£528.1m	£542.7m	(2.7%)
Market capitalisation[A]	£482.3m	£494.4m	(2.4%)
Net asset value per share (as defined on page 99)	527.73p	539.54p	(2.2%)
Share price	482.00p	491.50p	(1.9%)
Discount to NAV[B]	8.7%	8.9%	
Net cash/(gearing)[B]	0.3%	–1.5%	
Reference index	4,653.87	5,321.09	(12.5%)
Dividends and earnings			
Revenue return per share[C]	6.74p	8.80p	(23.4%)
Total dividends per share[D]	7.70p	7.70p	–
Operating costs			
Ongoing charges ratio[B]	0.88%	0.90%	

[A] Represents the number of Ordinary shares in issue in the Company multiplied by the Company's share price.
[B] Considered to be an Alternative Performance Measure, as defined on pages 91 and 92.
[C] Measures the revenue earnings for the year divided by the weighted average number of Ordinary shares in issue (see Statement of Comprehensive Income).
[D] The figures for dividend per share reflect the years in which they were earned (see note 7 on page 80).

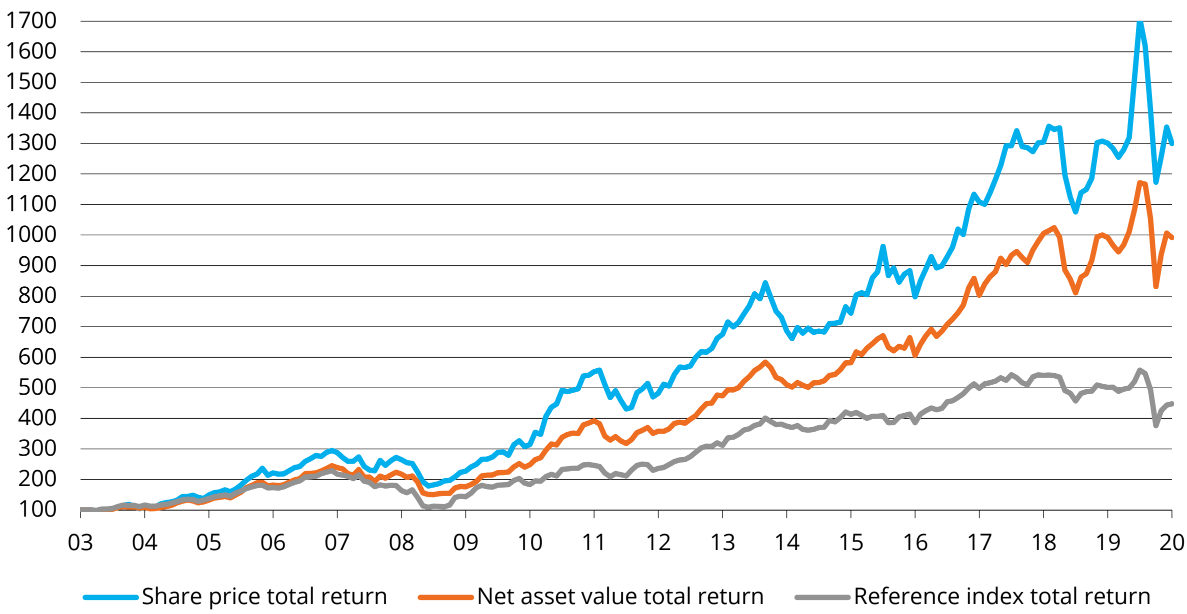
Performance

Performance (Total Return)

	1 year return %	3 years return %	5 years return %	10 years return %
Net asset value[AB]	–0.5	+23.0	+69.0	+297.5
Share price[B]	–0.1	+17.3	+74.6	+313.7
Reference Index	–10.7	–10.2	+8.3	+144.0
Peer Group weighted average (NAV)	–12.4	–5.7	+15.5	+192.1
Peer Group weighted average (share price)	–12.4	–0.5	+20.1	+221.4

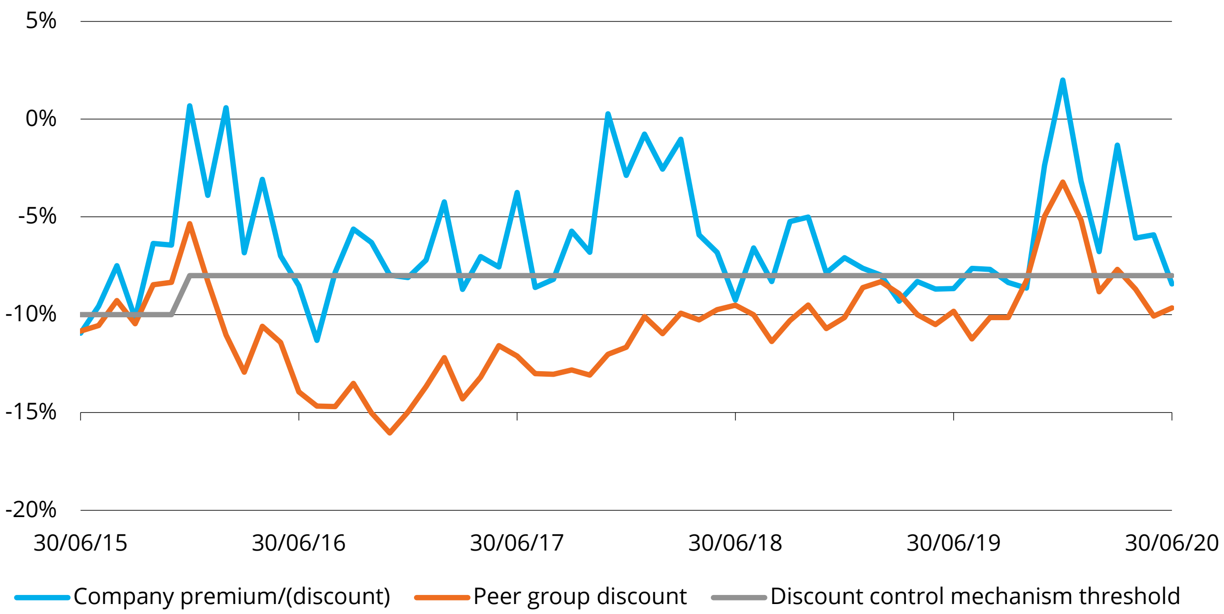
[A] Cum-income NAV with debt at fair value.
[B] Considered to be an Alternative Performance Measure (see pages 91 and 92)
Source: Thomson Reuters Datastream

Long Term Total return of NAV v Share Price v Reference Index (rebased to 100 at 31 August 2003)



Source: Thomson Reuters Datastream

Discount of Share Price to NAV v Peer Group
Five years ended 30 June 2020



Source: Thomson Reuters Datastream

Performance Continued

Ten Year Financial Record

Year to 30 June	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Per Ordinary share (p)										
Net revenue return	4.35	3.50	4.58	5.05	6.76	6.76	6.42	7.24	8.80	6.74
Ordinary dividends paid/proposed	2.75	3.10	4.05	4.50	5.80	6.60	6.70	7.00	7.70	7.70
Special dividends paid/proposed	1.00	–	–	–	–	–	–	–	–	–
Net asset value[A]	240.65	215.61	281.58	298.92	336.89	345.43	456.60	552.93	539.54	527.73
Share price	237.00	203.00	280.50	281.25	300.00	316.00	431.00	500.00	491.50	482.00
Discount(%)[A]	1.5	5.8	0.4	5.9	10.9	8.5	5.6	9.6	8.9	8.7
Ongoing charges ratio (%)[B]	1.00	0.96	1.28	1.19	1.19	1.13	1.08	1.04	0.90	0.88
Gearing ratio (%)[C]	8.8	5.8	8.8	(4.6)	4.1	3.6	1.7	3.6	1.5	(0.3)
Shareholders' funds (£m)[D]	155	140	193	219	243	241	324	408	543	528
Revenue reserves (£m)[E]	2.96	2.80	3.69	4.34	5.83	6.50	6.26	8.30	10.87	8.80

[A] Calculated with debt at par value and diluted for the effect of Convertible Unsecured Loan Stock conversion from 31 March 2011 until 30 June 2017. From 30 June 2018, net asset value is calculated with debt at par value.
[B] Calculated as an average of shareholders' funds throughout the year.
[C] Net gearing ratio calculated as debt less cash invested in AAA-rated money market funds and short-term deposits divided by net assets at the year end.
[D] Increase in 2018 included the effect of the merger with Dunedin Smaller Companies Investment Trust PLC.
[E] Revenue reserves are reported prior to paying the final dividend for the year.

Investment Manager's Review

Harry Nimmo, Abby Glennie and Amanda Yeaman, Aberdeen Standard Investments

The Company generated a net asset value total return ("NAV TR") for the year to 30 June 2020 of -0.5%, while the share price fell by 0.1% on a total return basis. By comparison, the UK smaller companies sector as represented by the Numis Smaller Companies plus AIM (ex Investment Companies) Index fell by 10.7% on a total return basis. Over the same period, the FTSE 100 Index of the UK's largest listed companies fell by 13.8% on a total return basis. Since the appointment of Aberdeen Standard Investments to manage the Company at the end of August 2003, the share price total return of the Company has been 1,199%, while the reference index has returned 347% and the FTSE 100 Index has returned 177%.

Equity Markets

Equities, and more especially smaller companies equities, were extremely volatile during the year in question. Although the Company's share price remained almost unchanged from the start of the financial year, it fell by just over 50% in the month following 20 February 2020 when the impact of the COVID-19 pandemic took hold in investors' minds. In a few short weeks, euphoria turned to the depths of despair, reaching its nadir on 19 March. Thankfully, a semblance of stability has since returned to markets.

During 2019, markets fell from June to August as concern about a recession in the USA took hold, with a yield inversion occurring in August, whereby short interest rates were higher than long rates; normally a sure sign of impending recession. In addition, a trade war between the USA and China loomed large. It also felt like a disorderly Brexit was on the cards. Then the Federal Reserve reversed its policy and cut rates and a stage one trade treaty was signed. It then became less likely that a potential disastrous "no deal" Brexit would happen. An emphatic Conservative victory at the General Election in December 2019 provided enough constitutional clarity to afford the promise that consumers and businesses in the UK would be happier to spend and invest. Top-down global macro investors took this as a signal to increase their exposure to UK mid-cap companies, in particular, as an investable way of accessing the recovery in the UK economy. This led to a euphoric bounce in UK mid-cap markets in the last three weeks of the calendar year.

2020, however, brought the advent of COVID-19. By late February, particularly once Italy was impacted, governments across the world introduced radical containment measures. Unprecedented "lock down" measures and "social distancing" resulted in an immediate economic slump across the world of unprecedented proportions. Markets, particularly UK smaller companies, fell dramatically over the next month. The FTSE 250 Mid-Cap Index collapsed by 41% while the FTSE 100 Index fell by 33% between mid-February and mid-March. This is the swiftest monthly fall in UK markets that we have ever seen. National Monetary authorities were quick to introduce wide-ranging financial support ranging from interest rate cuts, furloughing, loan support for businesses and the deferral of taxes. Markets responded quickly and have made significant recoveries with the FTSE 250 Index rising 33% by 30 June 2020 but it is still 21% below its level at the start of the crisis. It is notable that the technology-heavy Nasdaq Index rose dramatically, led by the so called FAANG stocks that are actual beneficiaries of "working from home". It is also relevant that the Alternative Investment Market ("AIM") stocks have performed well during the recovery. The FTSE AIM Index is only 9% below the level it was at on 21 February 2020.

Equities, and more especially smaller companies equities, were extremely volatile during the year in question.

The tone of company trading statements was generally negative during the six months to 31 December 2019. This was particularly the case for building, construction and retail sectors. Industrials were also generally weak, as were financial services, oil services, personal goods and healthcare. Auto dealers were a particularly negative feature. Media and real estate strengthened while software weakened, particularly data services related companies that were seen as potentially impacted by Brexit concerns. This latter group were to see a dramatic recovery in the post-election closing weeks of the year. In the two days after the election the FTSE 250 Index rose by 6%.

Following the outbreak of the COVID-19 pandemic, smaller companies responded quickly to the emergency, where necessary furloughing staff, shoring up balance sheets, cutting dividends, taking pay cuts, working from home where possible and keeping investors in touch by conference calls. Some sectors were effectively closed down, such as transport, restaurants, leisure and retailers. Others saw substantial declines in activity, including industrials, construction, oil & gas, some real estate and

Investment Manager's Review Continued

some media. Others were unchanged, such as some media, asset managers, speciality financials and other real estate. Certain sectors actually benefitted from working from home, such as leisure goods, on-line retailing and food manufacturing.

Unlike during the banking crisis, the Company saw significant numbers of holdings cut or suspend their dividends, perhaps as much as 40%. Although latterly a number have reinstated dividend payments as the outlook has generally improved from the extreme pessimism of late March.

The weakest part of smaller companies was the cyclical heavy FTSE SmallCap Index while the growth rich AIM market recovered strongly in the April to June period.

The oil price as measured by Brent oscillated between $82 per barrel in January 2020 and $19 in March. Indeed the West Texas Intermediate version fell into negative territory for a brief period as storage in the US ran out and demand collapsed. Copper started the year at $285, fell to $218 in March 2020 before rising to $291 by the year end. The gold price rose steadily by 35% from $1,409 per oz to $1,901, representing a flight to safety.

In uncertain economic and geopolitical times our focus on Quality, Growth and Momentum has been beneficial pretty much throughout the year.

Acquisition & Merger activity in smaller company markets was subdued, with no holdings in the portfolio bid for. However, in the post COVID rally, fund raising by the issue of new equity was very buoyant. Listed companies were either shoring up their balance sheets to see them through what is expected to be a tough time, economically, or raising war chests in anticipation of good value purchases in the economic fallout to come. Not surprisingly, the hard hit travel and leisure sector was at the forefront of fund raising activity with fully 17 members of this sector raising money. This included travel companies **Dart Group** (Jet2), On the Beach, National Express and Air Partner and pub companies, Whitbread, JD Wetherspoon, Revolution Bars, Loungers and City Pub Co.

Performance

The portfolio out-performed its benchmark in five of the six months of the second half of calendar 2019 with October and November being particularly strong. July was the only month of underperformance. Performance either tended to be driven by stock-specific events or where there was a perception about exposure to Brexit. For example, data service companies such as **Kainos** and **FDM** were weak on Brexit concerns, only to recover sharply after the General Election.

In uncertain economic and geopolitical times our focus on Quality, Growth and Momentum has been beneficial pretty much throughout the year. The removal of uncertainty with the General Election also led to a very strong finish to the calendar year both in relative and absolute terms. While the absolute value of the portfolio fell almost 22% during March 2020, the month of COVID panic, the NAV total return in the month outperformed the index by over 3%. The matrix factor "Altman Z Scores", a composite measure of balance sheet and cash flow strength, came into its own with a dramatic flight to quality in the market. Our view that our investment process provides resilience in difficult market conditions was vindicated.

In 2020, the best sector performers were either defensive or actual beneficiaries of the impact of COVID, notably working from home. These were leisure goods, food manufacturers and telecoms. Lock down helped **Games Workshop**, **Team 17** and **Focusrite** as young people required their attention to be diverted during the long hours stuck indoors. **Cranswick** (pork) and **Hilton Foods** (beef, fish) benefited from increased supermarket shopping. **Gamma Communications** was a major beneficiary of working at home. Interestingly, a couple of media stocks performed strongly. They both have adapted well to the provision of advertising and market research in the digital world; **Future,** in special interest verticals, and **GlobalData** in online sector specific market research. Asset managers performed reasonably well. In general they adapted well to working from home and benefited from rising equity values from April onwards. An example of this included **AJ Bell**. Electronics stocks also performed well (**XP Power** & **discoverIE**); the semiconductor cycle turning up and the early start to manufacturing recovery in China was helpful. Software was mixed; those with recurring revenues did well (**Aveva**, **GB Group**) while those without (**FDM**) did less well. **First Derivatives** struggled following the unexpected death of the CEO and founder, Brian Conlan, while the other Ulster business, **Kainos**, benefited strongly from digitalisation trends hastened by COVID-19. The real estate companies did surprisingly well, particular **Safestore** and **Big Yellow** in self-storage. Both of them managed a dividend increase.

On the negative side, transport and leisure, restaurants and food to go, traditional retailers and more cyclical sectors like construction, building materials and resources were savaged. The story of **Dart Group** is of note. This high-quality value-for-money, customer-focused airline soared from £8 per share when Thomas Cook went into administration to £20 per share at the end of 2019, only to collapse to £3 per share in the teeth of the COVID panic. The shares were 835p per share on 30 June 2019 and 842p per share on 30 June 2020; a roller coaster of a year. The company raised equity in May and is in good shape to see out the crisis.

One theme that did not work well was that of buying standout companies in difficult sectors. The COVID emergency put paid to that. Stocks held that fitted that category included **Dart Group**, **Morgan Sindall** (construction), **Robert Walters** (recruitment), **Greggs** (food to go) and **Motorpoint** (used car retailing).

We are of the view that the COVID emergency has accelerated change in what has always been a dynamic business environment. This means that the internet of things, cloud computing and all the other technological breakthroughs will continue to increase the level of Corporate Darwinism evident in the world.

The five leading performers for the period were as follows:-

Games Workshop (closing weight: 4.6%), the table-top hobby games (Warhammer) company traded strongly post COVID. Prodigious operating margins of 36% helped along with their growing world market position.

Hilton Foods (closing weight 4.1%) saw healthy demand as supermarkets saw a surge in demand as COVID struck.

Future (closing weight 3.8%), the special interest magazine and on-line title operator led by the redoubtable Zillah Byng-Thorne, continued to make strong progress.

Cranswick (closing weight 3.4%) saw strong growth in demand as restaurants remained closed with supermarkets soaking up the demand. Pork prices were robust as African swine flu caused havoc in Chinese pigsties where more than half the world's pigs live.

XP Power (closing weight 3.2%) has recovered strongly to new highs as the semiconductor cycle turned up and factories in China and Vietnam opened up quickly.

On the negative side, **Fevertree Drinks** lost its fizz as it struggled to make progress in the USA. **Next15 Communications** was seen as risky as a media stock exposed to the advertising cycle. **Robert Walters** in recruitment lost momentum as the economy turned down. **Midwich**, the audio-visual display company, suffered from a loss of capital investment amongst its customer base. Retail brand **Joules** saw demand sag. **James Fisher**, the diversified marine engineering company, has a modicum of exposure to offshore oil and gas which was negative. Finally, **Ricardo**, the diversified auto engineering consultant, saw a post COVID slump in demand.

Dealing and Activity

The five largest additions to the portfolio were as follows:-

Greggs. We bought back into Greggs. The company continues to trade ahead of expectations following some particularly effective PR with the launch of the vegan sausage roll and steak bake, alerting potential customers to changes at the company that made it worthwhile giving the baker turned "food-to-go" company another try. However, Greggs now faces serious post-COVID challenges as it grapples with social distancing and quiet high streets, shopping centres and travel hubs.

Boohoo Group. A new holding was added as the company thrives in the post COVID world of fast fashion, test and repeat and the rejuvenation of high street names in an online world. However, accusations of sweat shop conditions amongst some of their suppliers and of the initial tardy response of management to the institution of an external investigation suggested that ESG concerns were not being taken as seriously as they should. Aggressive share price led senior management bonus plans were also of concern. The shares have been sold since the year end.

Trainline is a recent new issue. It is the train and bus booking website and app that is very popular in the UK but also performing strongly on the continent. Post COVID, however, means that demand will be sluggish until confidence in rail travel returns.

Focusrite is a worldwide leader in the manufacture and marketing of electronic and techno music equipment that can be used at home and professionally. Increasingly, high quality electronic music is being made at home. The COVID-19 emergency has given Focusrite a demand boost. Focusrite is a new holding.

Investment Manager's Review Continued

GlobalData. More was added to this holding. It is the research company with the chief executive we know well from his days at Datamonitor. GlobalData is just the same except it is enabled for on-line delivery.

Apart from those mentioned above, five other new holdings were added to the portfolio. They were **Liontrust Asset Management**, **Avon Rubber**, a gasmasks and body-armour company for the US military, **AB Dynamics**, a specialist advanced auto testing equipment company, **Sumo**, a developer of video games software, and **Alpha FX**, a currency trading platform for small and medium sized businesses. The latter has been sold. A number of other significant additions were made, including **Games Workshop**, **Alpha Financial Markets**, the consultant to the asset management industry, **AJ Bell**, the wealth management platform, and **Cranswick**, the pork products company.

The key sales were as follows:-

Five holdings that had become too large to be described as smaller companies were substantially sold down. They were **Intermediate Capital Group**, **Dechra Pharmaceuticals**, **JD Sports Fashion**, **Abcam** and **Fevertree Drinks**. The latter four have returned more than three times their original book values.

Eight holdings have been sold completely. These are **Ted Baker**, **Accesso**, the theme park software company, **ECO Animal Health**, the animal antibiotics company, **Nucleus Financial**, the wealth management platform, **Hostelworld**, the hostel booking platform and **Joules**, the branded retailer. These holdings failed to comply with our investment process. **Fevertree Drinks** and **Alpha FX** were also sold completely.

Other significant holdings sold down included **Morgan Sindall**, the diversified construction company, **Robert Walters**, **Greggs** (post the start of COVID), **FDM**, the IT training company, and **RWS**, the high level language translation and localisation company.

Sector Exposures

The key sector exposures include software, support services, speciality financials, leisure goods, media, real estate, food manufactures, telecoms and electronics. Specialty financials, real estate, leisure goods and media showed significant increases. For the Company, the sectors that increased in weighting were generally the most resilient in the COVID emergency, such as wealth management platforms (**AJ Bell**) and fund administration platforms (**JTC**, **Sanne**), leisure goods (**Games Workshop**, **Focusrite**, **Team17**), self storage (**Safestore**, **Big Yellow**) and media (**Future**, **GlobalData**).

There are no holdings in the mining, or oil & gas sectors. There are also no materials stocks such as paper & packaging, industrial minerals or chemicals sectors. The Company remains light in the more cyclical sectors such as house building, building materials, transport and leisure.

Outlook

It is disappointing to see that this is the second year of negative net asset value total returns for the Company, albeit only by 1.1% last year and 0.5% this year. Given the turmoil of the last couple of years we would say that this is actually a good result. The chaos over Brexit and the political instability of the post-election May government has been almost forgotten in contrast to the real and immediate dangers of COVID-19.

> Investing in smaller companies should be viewed as a long-term investment and we have no doubt that patient investors will be rewarded in the longer term. Our stable process has been seasoned by four full economic cycles.

Our view is that we have passed the worst in stock market terms and that 19 March 2020 might have been the low point. However, with the potential for further spikes in COVID outbreaks, a vaccine some way off, and a difficult negotiation on Brexit ahead, the recovery may be punctuated by setbacks.

We are of the view that the COVID emergency has accelerated change in what has always been a dynamic business environment. This means that the internet of things, cloud computing and all the other technological breakthroughs will continue to increase the level of Corporate Darwinism evident in the world. This encourages our thinking that growth, along with quality and momentum, must remain central to the process. There is the possibility that we will see a "dash for trash" rally at some point as we adapt to the new world order. Were this to occur, there may be a period where we see significant outperformance for cyclical, slow growth industries where companies are on low traditional valuations. They, however, can be traps for the unwary.

Last year we introduced the strong companies in difficult sectors theme. This theme failed to deliver as sector leaders like **Dart Group** and **Motorpoint** were dragged down by circumstance. These companies, however, are the ones with the balance sheets and market presence to see it through to the other side and prosper at the expense of weaker competitors.

We actually feel more confident about smaller companies now. The downturn that we have been predicting for at least five years now has arrived. The sector as a whole has under-performed for the last couple of years in anticipation of the downturn, as in 2007 and 2008 in the lead up to the banking crisis. The first half of the next upturn is normally positive for the smaller companies sector relative to larger companies. The AIM market has come of age with a preponderance of profitable growth businesses and wide sector dispersion. We feel the pipeline of new listings will improve from current low levels as markets recover. There are still a wide range of UK companies coming through that match our investment criteria, with a number of new smaller names having been added in the recent past.

As we have said before, our process remains unchanged. Our emphasis on risk aversion, resilience, growth and momentum still feels right for the future. Caution should be the watch-word however.

Investing in smaller companies should be viewed as a long-term investment and we have no doubt that patient investors will be rewarded in the longer term. Our stable process has been seasoned by four full economic cycles. We remain very optimistic about the prospects for the portfolio and the Company in the long term.

Harry Nimmo, Abby Glennie and Amanda Yeaman
Aberdeen Standard Investments
8 September 2020

Investment Process

Standard Life UK Smaller Companies Trust plc offers an actively managed portfolio of equity shares of smaller and mid-sized companies listed in the UK. Over the longer term, smaller company returns have outstripped those of their large-cap peers.

Management

The Company's Manager is Aberdeen Standard Fund Managers Limited ("ASFML", the "AIFM" or the "Manager"). ASFML is a wholly owned subsidiary of Standard Life Aberdeen plc ("SLA"). The Company's portfolio is managed by Standard Life Investments Limited (the "Investment Manager") by way of a group delegation agreement in place between it and ASFML. Aberdeen Standard Investments is the brand of Standard Life Aberdeen plc. Harry Nimmo has been the Portfolio Manager since 2003 and is part of a team focusing on investing in smaller companies.

Investment Philosophy and Process

The Board has identified that ASI has a proven and repeatable investment process, which has delivered strong returns to shareholders over the last 17 years. The investment process adheres to the ASI Smaller Companies' Quality, Growth and Momentum led philosophy. The Investment Manager aims to select lower risk smaller companies in growing markets where business momentum is positive, predictable and improving. The Investment Manager has a long-term investment horizon, aiming to maximise returns by running winners in the long term and cutting losers. The investment process embeds ASI's Environmental, Social and Governance principles.

The Matrix

In managing the Company's investment portfolio, the Quality, Growth and Momentum philosophy is enhanced by using ASI's proprietary screening tool, 'The Matrix', to focus research efforts and the stock selection process. The Matrix is a quantitative screening tool assessing potential and current investments on 13 separate proven indicators of financial performance. It is a powerful tool in helping the Investment Manager identify a shortlist of investable stocks for further analysis and monitoring the performance and prospects of the portfolio. Stocks that are identified in this way are then subjected to further analysis and may be selected for the portfolio following discussions with company management.

When building a portfolio of smaller companies, the Investment Manager screens stocks using the Matrix and also considers a number of qualitative factors to help identify the best investment opportunities.

1. Sustainable growth
Companies in the portfolio will often produce niche products or services where demand is forecast to rise as these characteristics are the most predictive of future earnings and dividend growth.

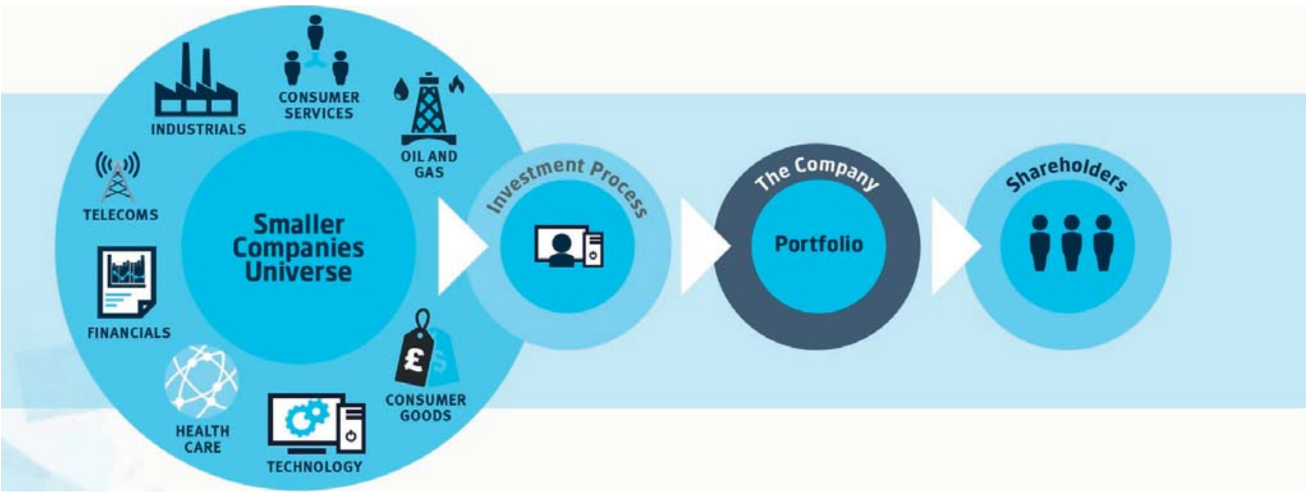
2. Quality
The strength of each company's relationships with its customers or clients, the existence and importance of long-term contracts and the degree to which the company has any element of pricing power is important as it allows the company to pass on any cost increases and thereby maintain margins. The Investment Manager will typically avoid companies with high or unsustainable levels of debt.

3. Buy for the long term
Identify the great companies of tomorrow and then hold them for the long term. This reduces the financial drag of high trading volumes.

4. Concentrate the effort
The Matrix helps identify the likely candidates for inclusion in the portfolio and reduces the risk that effort is spent on stocks that will not fulfil the criteria for inclusion within the portfolio.

5. Management longevity
Founders retaining positions of authority within the companies after flotation, along with longevity of tenure by CEOs are a positive signal. Four of the top 10 holdings in the portfolio are run by CEOs who have been with their business for over 20 years.

6. Valuation is secondary
Invest in companies which demonstrate positive earnings momentum as the team believes that it is a reliable predictor of future performance.



Portfolio

The Investment Manager aims to select lower risk smaller companies in growing markets where business momentum is positive, predictable and improving. The Investment Manager has a long-term investment horizon, aiming to maximise returns by running winners in the long term and cutting losers.


Person playing with Games Workshop Warhammer game. BokehPhotos / Shutterstock.com

Tada Images / Shutterstock.com

Ten Largest Investments

As at 30 June 2020

Games Workshop

Games Workshop designs, manufactures and sells fantasy miniatures and related products.

Gamma Communications

Gamma Communications is a mid-sized telecoms company that supplies voice, data and mobile products and services in the UK. It provides fixed telephony, IP telephony, hosted phone systems, broadband and data connections, mobile services and unified communication solutions.

Hilton Food Group

Hilton Food Group is a founder run beef and fish packer. It works closely with food retailers across Europe and Australia.

Kainos

Kainos is a digital services company offering information technology products and services to clients in a range of markets, including government, healthcare and financial services.

Future

Future publishes special-interest consumer magazines, applications and websites.

Diploma

Diploma is an international group of businesses supplying specialised technical products and services. Its subsidiaries distribute an assortment of scientific and lab equipment and telecommunications products.

Cranswick

Cranswick is a high quality vertically intergrated pork and chicken products company operating in the United Kingdom.

XP Power

XP Power is a designer and manufacturer of low power, low noise, highly efficient electric motors and electronic systems. It manufactures in China and Vietnam.

RWS

RWS provides intellectual property support services (patent translations, international patent filing solutions and searches), in life sciences translations and linguistic validation.

Marshalls

Marshalls manufactures and sells a variety of building materials for construction, home improvement and garden landscaping sectors.

Investment Portfolio

As at 30 June 2020

Company	Sector	Valuation 2020 £'000	Total portfolio %	Valuation 2019 £'000
Games Workshop	Leisure Goods	24,212	4.6	13,452
Gamma Communications	Mobile Telecommunications	23,451	4.4	20,987
Hilton Food Group	Food Producers	21,709	4.1	16,625
Kainos	Software & Computer Services	20,058	3.8	17,460
Future	Media	19,885	3.8	14,429
Diploma	Support Services	18,517	3.5	15,804
Cranswick	Food Producers	17,896	3.4	11,627
XP Power	Electronic & Electrical Equipment	16,731	3.2	12,124
RWS	Support Services	16,471	3.1	20,958
Marshalls	Construction & Materials	15,024	2.9	19,085
Top ten investments		**193,954**	**36.8**	
Safestore Holdings	Real Estate Investment Trusts	14,917	2.8	11,016
GlobalData	Media	13,803	2.6	5,070
GB Group	Software & Computer Services	13,408	2.6	11,166
Trainline	Travel & Leisure	12,455	2.4	4,628
Team 17	Leisure Goods	12,199	2.3	6,551
First Derivatives	Software & Computer Services	12,032	2.3	17,880
4imprint Group	Media	11,704	2.2	14,135
Hill & Smith Holdings	Industrial Engineering	11,667	2.2	10,982
Boohoo.com	General Retailers	11,167	2.1	–
Telecom Plus	Fixed Line Telecommunications	10,745	2.0	10,644
Top twenty investments		**318,051**	**60.3**	
AJ Bell	Financial Services	10,578	2.0	9,642
discoverIE Group	Electronic & Electrical Equipment	9,335	1.8	7,658
Dechra Pharmaceuticals	Pharmaceuticals & Biotechnology	9,322	1.8	20,462
Big Yellow	Real Estate Investment Trusts	9,277	1.7	9,152
Dart Group	Travel & Leisure	8,942	1.7	11,893
Fisher (James) & Sons	Industrial Transportation	8,826	1.7	12,411
Sanne Group	Support Services	8,784	1.7	12,406
Workspace	Real Estate Investment Trusts	8,755	1.6	13,242
Midwich	Support Services	8,473	1.6	12,938
Intermediate Capital Group	Financial Services	8,301	1.6	15,277
Top thirty investments		**408,644**	**77.5**	

Investment Portfolio Continued

As at 30 June 2020

Company	Sector	Valuation 2020 £'000	Total portfolio %	Valuation 2019 £'000
Greggs	Food & Drug Retailers	8,043	1.5	–
JTC	Financial Services	8,015	1.5	5,526
Aveva Group	Software & Computer Services	7,423	1.4	12,221
Alpha Financial Markets	Support Services	6,847	1.3	5,955
JD Sports Fashion	General Retailers	6,409	1.2	15,728
Mattioli Woods	Financial Services	6,118	1.2	6,904
Focusrite	Technology Hardware & Equipment	5,931	1.2	–
Boot (Henry)	Construction & Materials	5,865	1.1	5,795
Sirius Real Estate	Real Estate Investment & Services	5,683	1.1	–
Next 15 Communications	Media	5,429	1.0	9,754
Top forty investments		**474,407**	**90.0**	
Liontrust Asset Management	Financial Services	5,341	1.0	–
FDM Group	Software & Computer Services	5,312	1.0	–
Avon Rubber	Aerospace & Defense	5,231	1.0	–
Paypoint	Support Services	5,084	1.0	10,105
Gooch & Housego	Electronic & Electrical Equipment	4,970	0.9	5,080
Motorpoint	General Retailers	4,787	0.9	4,927
Paragon	Financial Services	4,567	0.9	10,228
Robert Walters	Support Services	3,787	0.7	10,965
Morgan Sindall Group	Construction & Materials	3,272	0.6	5,324
Gear4Music	Leisure Goods	3,072	0.6	903
Top fifty investments		**519,830**	**98.6**	
Hotel Chocolat	Food Producers	2,520	0.5	2,545
Ricardo	Support Services	2,080	0.4	5,878
AB Dynamics	Industrial Engineering	1,858	0.4	–
Sumo Group	Leisure Goods	752	0.1	–
Total portfolio		**527,040**	**100.0**	

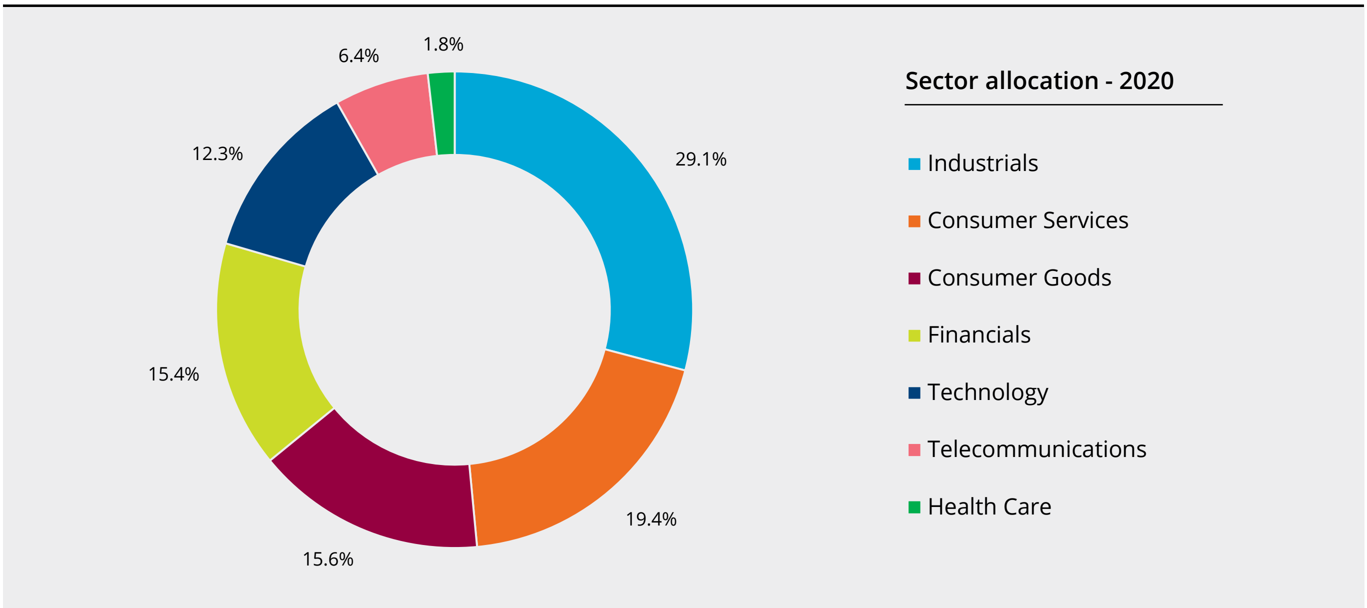
All investments are equity investments.

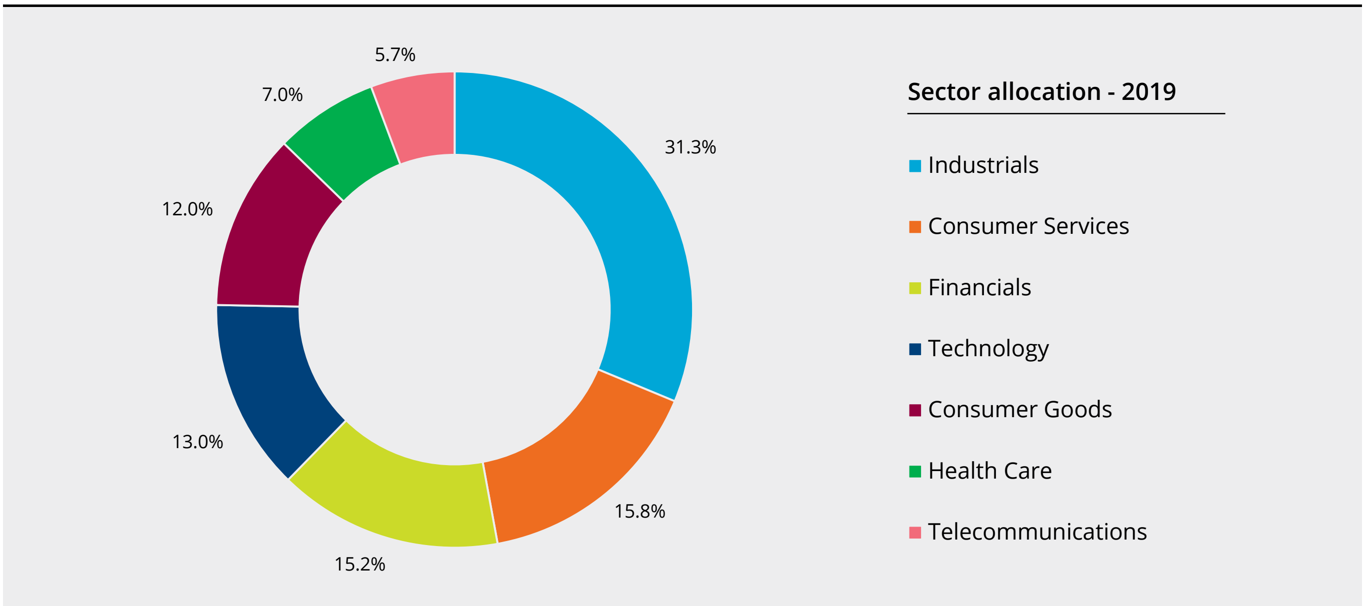
Sector Distribution of Investments

As at 30 June 2020

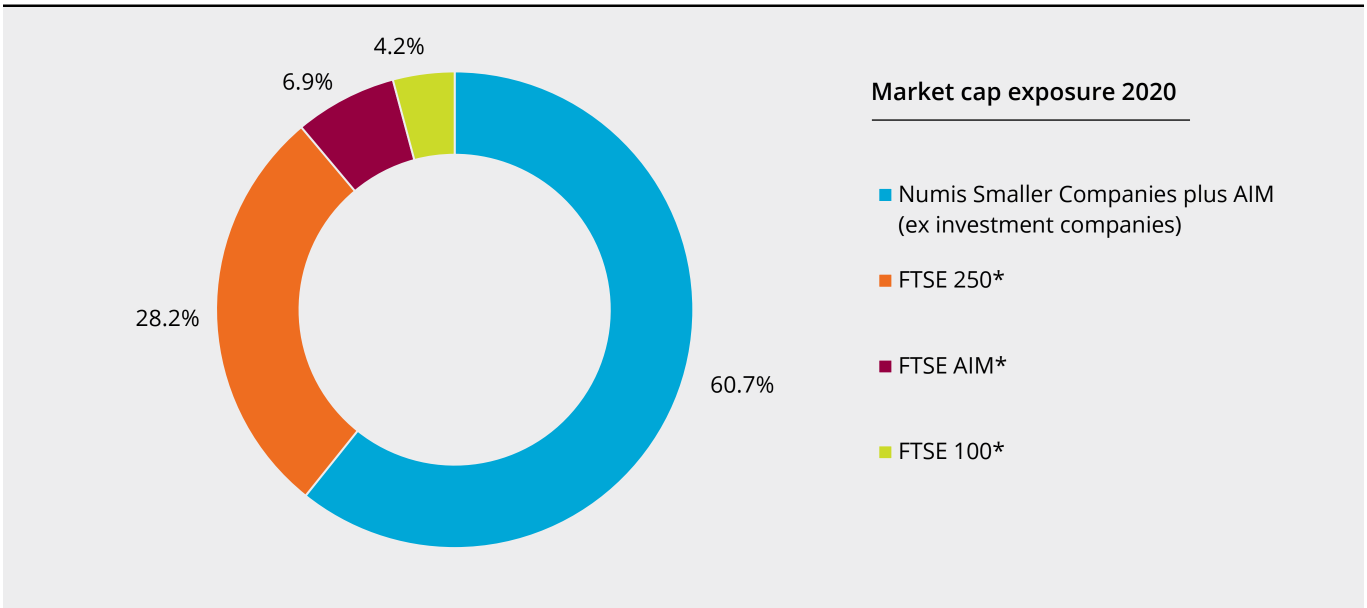
	Portfolio weighting	
	2020 %	2019 %
Consumer Goods	15.6	12.0
Beverages	–	2.6
Food Producers	8.0	5.5
Household Goods & Home Construction	–	–
Leisure Goods	7.6	3.9
Personal Goods	–	–
Consumer Services	19.4	15.8
Food & Drug Retailers	1.5	–
General Retailers	4.2	4.9
Media	9.6	7.8
Travel & Leisure	4.1	3.1
Financials	15.4	15.2
Financial Services	8.2	9.2
Real Estate Investment Trusts	6.1	6.0
Real Estate Investment & Services	1.1	–
Health Care	1.8	7.0
Health Care Equipment & Services	–	3.7
Pharmaceuticals & Biotechnology	1.8	3.3
Industrials	29.1	31.3
Aerospace & Defense	1.0	–
Construction & Materials	4.6	5.5
Electronic & Electrical Equipment	5.9	4.4
Industrial Engineering	2.6	1.9
Industrial Transportation	1.7	2.3
Support Services	13.3	17.2
Technology	12.3	13.0
Software & Computer Services	11.1	13.0
Technology Hardware & Equipment	1.2	–
Telecommunications	6.4	5.7
Fixed Line Telecommunications	2.0	1.9
Mobile Telecommunications	4.4	3.8
Total	**100.0**	**100.0**

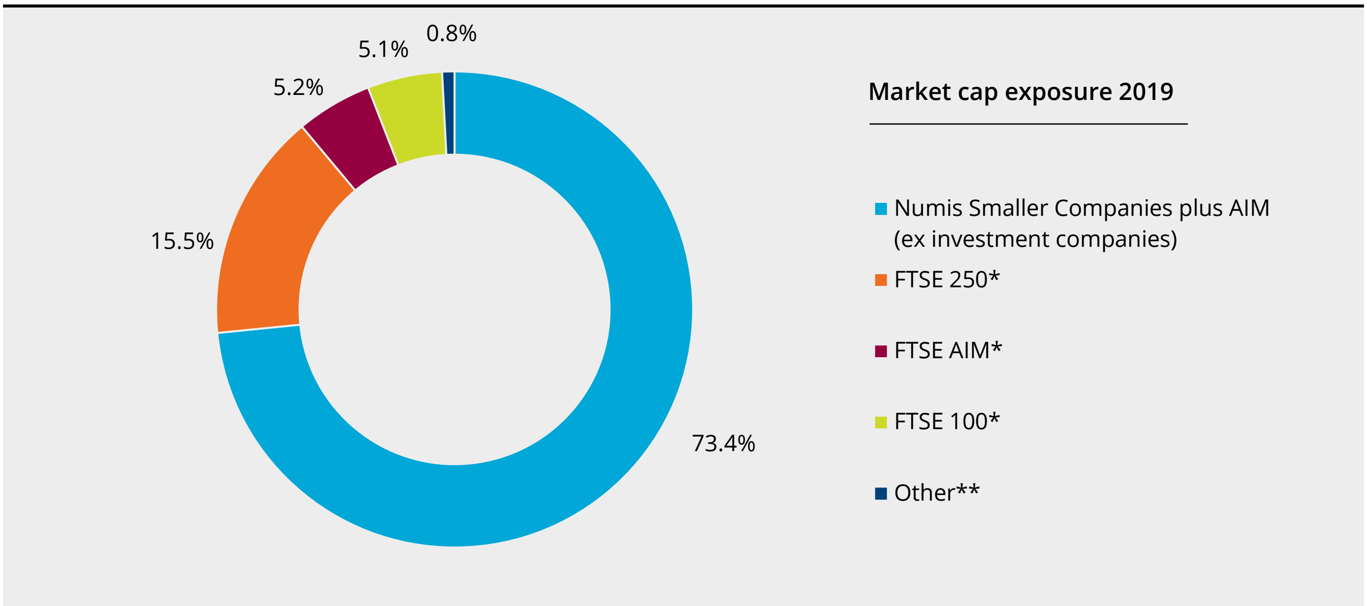
Investment Portfolio by Sector





Market Cap Exposure





* Consists of holdings which are not constituents of the Numis Smaller Companies plus AIM (ex investment companies) Index.
** Companies which have come to the market since the last rebalancing of the above indices.

Investment Case Studies

Gamma Communications (2nd largest holding at 30 June 2020)
Gamma Communications is a UK telecoms provider that sells a wide range of voice and data services, both fixed and mobile, to the business market. Unlike most telecoms stocks exposed to a secularly declining industry, Gamma has focused on exploiting growth niches. As a leading player in areas such as SIP trunk deployment and hosted PBX provision, the company is exposed to long-term secular telecom growth trends. Gamma has proved very adept at bringing new products to market, supported by its own Intellectual Property ("IP") and growing them faster than its lumbering competitors, whilst providing outstanding customer service and defending its legacy base.

Gamma is an asset-light operator, owning core network assets but also leveraging third party infrastructure where required. It has built a strong position as a key provider to an indirect channel of business telecoms resellers, systems integrators, and other telecoms service providers. Financial performance has been strong, delivering growth in all key metrics since listing. Margins have progressively risen and cash flow performance has been strong. This performance is driven by an ongoing business transformation that no competitor has been able to replicate. Recently, the successes in the UK have been replicated in Europe with an acquisition in Germany. The German cloud telephony market is much less advanced and more than double the size of that in the UK. The deal is entirely in keeping with Gamma's strategy. It also gives scale and geographic diversification.

Gamma still has a number of continued levers of growth and with the European expansion it can replicate this success overseas. Gamma will be also a beneficiary of the current climate, aiding virtual communication.

Kainos (4th largest holding at 30 June 2020)

Kainos is a high quality services and software company providing software design, implementation and support services in high growth markets. It has established leadership positions in three markets; Public Sector Digitisation, Health Care Digitisation and Workday. Markets undergoing disruptive change and structural shifts typically offer growth prospects for well positioned firms, with legacy players suffering. Kainos' leadership positions in such markets support sales and profit growth ahead of the industry.

In Public Sector Digitisation, Kainos is one of a few providers of bespoke IT systems to government. It has enjoyed increasing deal sizes and follow-on orders as its reputation and relationship has strengthened over the years. In Health Care Digitisation, its Evolve digital platform enables clinicians to use digital patient records. It is the leading player in this space and there is much to go for within the UK and potentially overseas as hospitals move to digital. In Workday (a US-based leading provider of human resources software), Kainos is one of a small group of accredited partners that configure Workday on client sites or remotely. It has grown to be Workdays largest European partner, placing it in a very compelling position. The Investment Manager sees significant growth ahead in all of its markets and, as the COVID-19 pandemic accelerates the digitisation agenda, they believe that Kainos is well placed to benefit.

The characteristics of the business are aligned with the Investment Manager's process. Kainos is well positioned in large growing markets with high barriers to entry. The revenue it generates is repeat and recurring in nature, offering visibility due to the nature of the contracts. The business has demonstrated steady organic growth since its listing, the model is cash generative and high margin and the balance sheet is strong. The Investment Manager believes a huge growth opportunity still exists ahead for this high quality business.

Governance

The Company is committed to high standards of corporate governance and applies the principles identified in the UK Corporate Governance Code and the AIC Code of Corporate Governance.

All Directors are considered by the Board to be independent of the Company and the Manager and free of any material relationship with the Manager.

Cranswick Foods – a leading UK food producer.

Team 17 is a leading video games label and creative partner for independent ('indie') developers.
skvalval / Shutterstock.com

Board of Directors

Liz Airey

Status:
Independent
Non-Executive Chairman

Experience:
Liz Airey was, until March 2020, non-executive Chairman of Jupiter Fund Management plc. She is a non-executive director of Kirk Lovegrove & Company Limited, a member of the Investments Committee of the Institute of Chartered Accountants in England and Wales, and Chair of Trustees of the Rolls-Royce UK Pension Fund. She has previously been a non-executive director of Tate & Lyle plc, Dunedin Enterprise Investment Trust plc, JP Morgan European Smaller Companies Trust plc, Zetex plc and AMEC plc. In her executive career, Liz was Finance Director of Monument Oil and Gas plc, a post she held from 1990 until the sale of the company to Lasmo plc in 1999.

Length of service:
1 year, appointed a Director on 21 August 2019 and Chairman on 31 March 2020

Committee membership:
Management Engagement Committee and Nomination Committee (Chairman)

Contribution:
The Board has reviewed the contribution of Liz Airey in light of her proposed re-election at the AGM and has concluded that she has chaired the Company expertly since her appointment as Chairman on 31 March 2020, fostering a collaborative spirit between the Board and Manager whilst ensuring that meetings remain focused on the key areas of stakeholder relevance. In addition, she has provided significant insight to the Board through her financial and corporate experience and knowledge of the investment management sector.

Ashton Bradbury

Status:
Independent
Non-Executive Director

Experience:
Ashton Bradbury has previously held roles at Charterhouse Tilney, Hill Samuel Investment Management and HSBC Asset Management Europe and was, until 2014, a fund manager with Old Mutual Global Investors Limited, where he established its Small and Mid-Cap equities team. Ashton is currently a non-executive director of Hargreave Hale AIM VCT plc and is a director of Golf Union of Wales Limited. Ashton holds a BSc in Banking and Finance from Loughborough University of Technology.

Length of service:
2 years, appointed a Director on 2 July 2018

Committee membership:
Audit Committee, Management Engagement Committee and Nomination Committee

Contribution:
The Board has reviewed the contribution of Ashton Bradbury in light of his proposed re-election at the AGM and has concluded that he continues to provide significant investment insight to the Board and knowledge of the investment management sector.

Alexa Henderson

Status:
Independent Non-Executive Director

Experience:
Alexa Henderson has over 30 years' experience in finance, accounting and audit having worked with KPMG, Arthur Andersen and Deutsche Bank (WM Company). She is currently a non-executive director of BMO Real Estate Investments Limited and Chairman of JP Morgan Japan Smaller Companies Trust PLC. In addition, Alexa is a director of James Walker (Leith) Limited and Bravura Solutions Limited, a company incorporated in Australia. Previous directorships include Dunedin Smaller Companies Investment Trust PLC, Scottish Building Society (which she chaired for four years) and Adam & Company Group PLC. Alexa Henderson holds a BSc in Economics and Accounting from Edinburgh University and is a Chartered Accountant.

Length of service:
2 years, appointed a Director on 8 October 2018

Committee membership:
Audit Committee, Management Engagement Committee and Nomination Committee

Contribution:
The Board has reviewed the contribution of Alexa Henderson in light of her proposed re-election at the AGM and has concluded that she continues to provide significant financial and corporate insight to the Board and knowledge of the investment trust sector.

Caroline Ramsay

Status:
Independent Non-Executive Director and Chairman of the Audit Committee

Experience:
Caroline Ramsay is a member of the Supervisory Board of Aegon NV and was previously a non-executive director of Aegon UK PLC, Scottish Equitable plc, Scottish Equitable Holdings Limited and Cofunds Limited. She is also a non-executive director of Tesco Underwriting Limited and Brit Syndicates Limited and is a member of the Financial Conduct Authority's Regulatory Decisions Committee. Until June 2015, Caroline was the Group Chief Auditor for RSA plc having held previous senior positions at RSA plc, including UK Chief Financial Officer. After qualifying and practising as a chartered accountant with KPMG, she held various roles within Aviva Plc.

Length of service:
4 years, appointed a Director on 22 August 2016

Committee membership:
Audit Committee (Chairman), Management Engagement Committee and Nomination Committee

Contribution:
The Board has reviewed the contribution of Caroline Ramsay in light of her proposed re-election at the AGM and has concluded that she has chaired the Audit Committee expertly throughout the year and continues to provide significant financial insight to the Board.

Board of Directors Continued

Tim Scholefield

Status:
Senior Independent Non-Executive Director and Chairman of the Management Engagement Committee

Experience:
Tim Scholefield is an Associate of the Society of Investment Professionals and previously held roles at Royal Sun Alliance Investments and Scottish Widows Investment Partnership. He was, until 2014, Head of Equities at Baring Asset Management. Tim is currently Chairman of City Merchants High Yield Trust Limited, a non-executive director of BMO Capital and Income Investment Trust Plc and Fidelity Asian Values Plc. In addition, he is a member of the Investment Committee of the General Medical Council, a non-executive director of Jupiter Unit Trust Managers Limited and consultant to Gresham House Asset Management.

Length of service:
3 years, appointed a Director on 20 February 2017

Committee membership:
Audit Committee, Management Engagement Committee (Chairman) and Nomination Committee

Contribution:
The Board has reviewed the contribution of Tim Scholefield in light of his proposed re-election at the AGM and has concluded that he has continued to chair the Management Engagement Committee expertly throughout the year as well as acting as the Senior Independent Director. He continues to provide significant investment insight to the Board and knowledge of the investment management and investment trust sectors.

Directors' Report

The Directors present their report and the audited financial statements of the Company for the year ended 30 June 2020.

Results and Dividends

The financial statements for the year ended 30 June 2020 are contained on pages 71 to 90. An interim dividend of 2.70p per Ordinary share was paid on 10 April 2020 and the Directors recommend a final dividend of 5.00p per Ordinary share, payable on 30 October 2020 to shareholders on the register on 2 October 2020. The ex-dividend date is 1 October 2020.

Principal Activity and Status

The Company is registered as a public limited company in Scotland under company number SC145455, is an investment company within the meaning of Section 833 of the Companies Act 2006 and carries on business as an investment trust.

The Company has applied for and has been accepted as an investment trust under Sections 1158 and 1159 of the Corporation Tax Act 2010 and Part 2 Chapter 1 of Statutory Instrument 2011/2999. This approval relates to accounting periods commencing on or after 1 July 2012. The Directors are of the opinion that the Company has conducted its affairs so as to be able to retain such approval.

The Company intends to manage its affairs so that its Ordinary shares continue to be a qualifying investment for inclusion in the stocks and shares component of an Individual Savings Account.

Capital Structure and Voting Rights

The Company's issued share capital at 30 June 2020 consisted of 100,065,198 (2019: 100,585,411) Ordinary shares of 25 pence each and there were 4,099,224 (2019: 3,579,011) Ordinary shares held in treasury, representing 4.1% of the issued share capital as at that date (excluding treasury shares).

During the year, 520,213 Ordinary shares were bought back into treasury.

Since the year end, the Company has bought back a further 20,355 Ordinary shares into treasury. Accordingly, as at the date of this Report, the Company's issued share capital consisted of 100,044,843 Ordinary shares of 25 pence each and 4,119,579 Ordinary shares held in treasury.

Each ordinary shareholder is entitled to one vote on a show of hands and, on a poll, to one vote for every Ordinary share held.

Management Agreement

The Company has appointed Aberdeen Standard Fund Managers Limited ("ASFML"), a wholly owned subsidiary of Standard Life Aberdeen plc, as its Alternative Investment Fund Manager (the "Manager"). ASFML has been appointed to provide investment management, risk management, administration and company secretarial services, and promotional activities to the Company. The Company's portfolio is managed by Standard Life Investments Limited (the "Investment Manager") by way of a group delegation agreement in place between it and ASFML. In addition, ASFML has sub-delegated administrative and secretarial services to Aberdeen Asset Management PLC and promotional activities to Aberdeen Asset Managers Limited.

Administration and company secretarial services have been provided by Aberdeen Asset Management PLC since 6 September 2019. Prior to that date these services were provided by Maven Capital Partners UK LLP.

The management fee is calculated as 0.85% per annum applying to the first £250 million of the Company's net assets, 0.65% per annum applying to net assets above this threshold until £550 million, and 0.55% applying to net assets above this threshold. In addition, the Manager is entitled to a secretarial and administration fee of £110,000 per annum, as uprated by movements in RPI. A fee of 0.02% of the net asset value of the Company in excess of £70 million is also payable. Such secretarial and administration fees are not to exceed £150,000 plus VAT in total per annum. The Manager also receives a separate fee for the provision of promotional activities to the Company, amounting to £100,000 plus VAT for the year ended 30 June 2020.

Further details of the fees payable to the Manager are shown in notes 3 and 4 to the financial statements.

The management agreement is terminable on not less than six months' notice. In the event of termination by the Company on less than the agreed notice period, compensation is payable to the Manager in lieu of the unexpired notice period.

Directors' Report Continued

External Agencies

The Board has contractually delegated to external agencies, including the Manager and other service providers, certain services including: the management of the investment portfolio, the day-to-day accounting and company secretarial requirements, the depositary services (which include cash monitoring, the custody and safeguarding of the Company's financial instruments and monitoring the Company's compliance with investment limits and leverage requirements) and the share registration services. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of services offered in so far as they relate to the affairs of the Company. In addition, ad hoc reports and information are supplied to the Board as requested.

Substantial Interests

Information provided to the Company by major shareholders pursuant to the FCA's Disclosure, Guidance and Transparency Rules are published by the Company via a Regulatory Information Service.

The table below sets out the interests in 3% or more of the issued share capital of the Company, of which the Board was aware as at 30 June 2020.

Shareholder	Number of Ordinary shares	% held
Brewin Dolphin	10,957,399	10.9
Hargreaves Lansdown	9,737,287	9.7
Interactive Investor	7,758,455	7.8
Aberdeen Standard Investments Retail Plans	6,871,689	6.9
Aberdeen Standard Investments	6,773,418	6.8
Investec Wealth & Investment	5,671,620	5.7
Rathbones	5,302,413	5.3
M&G Investment Management	4,313,234	4.3

The Company has not been notified of any changes to these holdings as at the date of this Report.

Directors

Biographies of the Directors of the Company are shown on pages 44 to 46. Liz Airey was appointed to the Board on 21 August 2019 and stood for election at the Annual General Meeting on 23 October 2019. Allister Langlands retired as a Director on 31 March 2020. In accordance with stewardship guidelines, Allister Langlands was not involved in the process for appointing his successor.

Each of the Directors is considered by the Board to be independent of the Company and the Manager and free of any relationship which could materially interfere with the exercise of their independent judgement on issues of strategy, performance, resources and standards of conduct. Liz Airey is the Chairman and Tim Scholefield is the Senior Independent Director.

The Board has carried out an annual review of its own performance and effectiveness which it undertook through individually completed questionnaires and follow up discussion. It concluded that the Board continues to operate well and effectively and is focussing on the right issues in its work to promote the success of the Company and that each Director makes a significant contribution to the Board.

The Directors attended scheduled Board and Committee meetings during the year ended 30 June 2020 as follows (with their eligibility to attend the relevant meetings in brackets):

	Board Meetings	Audit Committee Meetings	Management Engagement Committee Meetings	Nomination Committee Meetings
Liz Airey	4 (5)[A]	2 (2)	2 (2)	1 (1)
Ashton Bradbury	5 (5)	2 (2)	2 (2)	1 (1)
Alexa Henderson	4 (5)[B]	2 (2)	2 (2)	1 (1)
Allister Langlands	4 (4)	- (-)	2 (2)	- (-)
Caroline Ramsay	5 (5)	2 (2)	2 (2)	1 (1)
Tim Scholefield	5 (5)	2 (2)	2 (2)	1 (1)

[A] Was unable to attend Board meeting due to a conflict with an arrangement made prior to appointment to the Board.
[B] Was unable to attend Board meeting for personal reasons.

The Board meets more frequently when business needs require. During the year ended 30 June 2020 this included two Nomination Committee meetings and a Board meeting to approve the appointment of a new Director, and Board Committee meetings to approve the annual and half yearly financial statements. All Directors attended the Annual General Meeting held on 23 October 2019.

All of the Directors will retire and, being eligible, will offer themselves for re-election at the Annual General Meeting.

The Board believes that all the Directors seeking re-election remain independent of the Manager and free from any relationship which could materially interfere with the exercise of their judgement on issues of strategy, performance, resources and standards of conduct. The biographies of each of the Directors are shown on pages 44 to 46, setting out their range of skills and experience as well as length of service and their contribution to the Board during the year. The Board believes that each Director has the requisite high level and range of business, investment and financial experience which enables the Board to provide clear and effective leadership and proper governance of the Company. Following formal performance evaluations, each Director's performance continues to be effective and demonstrates commitment to the role, and their individual performances contribute to the long-term sustainable success of the Company. In addition, all Directors have demonstrated that they have sufficient time to fulfil their directorial roles with the Company. The Board therefore recommends the re-election of each of the Directors at the Annual General Meeting.

Board's Policy on Tenure

In normal circumstances, it is the Board's expectation that Directors will not serve beyond the Annual General Meeting following the ninth anniversary of their appointment. However, the Board takes the view that independence of individual Directors is not necessarily compromised by length of tenure on the Board and that continuity and experience can add significantly to the Board's strength. The Board believes that recommendation for re-election should be on an individual basis following a rigorous review which assesses the contribution made by the Director concerned, but also taking into account the need for regular refreshment and diversity.

It is the Board's policy that the Chairman of the Board will not normally serve as a Director beyond the Annual General Meeting following the ninth anniversary of his or her appointment to the Board. However, this may be extended in certain circumstances or to facilitate effective succession planning and the development of a diverse Board. In such a situation the reasons for the extension will be fully explained to shareholders and a timetable for the departure of the Chairman clearly set out.

The Role of the Chairman and Senior Independent Director

The Chairman is responsible for providing effective leadership to the Board, by setting the tone of the Company, demonstrating objective judgement and promoting a culture of openness and debate. The Chairman facilitates the effective contribution and encourages active engagement by each Director. In conjunction with the Company Secretary, the Chairman ensures that Directors receive accurate, timely and clear information to assist them with effective decision-making. The Chairman acts upon the results of the Board evaluation process by recognising strengths and addressing any weaknesses and also ensures that the Board engages with major shareholders and that all Directors understand shareholder views.

The Senior Independent Director acts as a sounding board for the Chairman and acts as an intermediary for other Directors, when necessary. Working closely with the Nomination Committee, the Senior Independent Director takes responsibility for an orderly succession process for the Chairman, and leads the annual appraisal of the Chairman's performance. The Senior Independent Director is also available to shareholders to discuss any concerns they may have.

Directors' and Officers' Liability Insurance

The Company's Articles of Association provide for each of the Directors to be indemnified out of the assets of the Company against any liabilities incurred by them as a Director of the Company in defending proceedings, or in connection with any application to the Court in which relief is granted. Directors' and Officers' liability insurance cover has been maintained throughout the financial year at the expense of the Company.

Management of Conflicts of Interest

The Board has a procedure in place to deal with a situation where a Director has a conflict of interest. As part of this process, each Director prepares a list of other positions held and all other conflict situations that may need to be authorised either in relation to the Director concerned or his or her connected persons. The Board considers each Director's situation and decides whether to approve any conflict, taking into consideration what is in the best interests of the Company and whether the Director's ability to act in accordance with his or her wider duties is affected. Each Director is required to notify the Company Secretary of any potential, or actual, conflict situations that will need authorising by the Board. Authorisations given by the Board are reviewed at each Board meeting.

Directors’ Report Continued

No Director has a service contract with the Company although all Directors are issued with letters of appointment. There were no contracts during, or at the end of the year, in which any Director was interested.

The Company has a policy of conducting its business in an honest and ethical manner. The Company takes a zero-tolerance approach to bribery and corruption and has procedures in place that are proportionate to the Company’s circumstances to prevent them. The Manager also adopts a group-wide zero-tolerance approach and has its own detailed policy and procedures in place to prevent bribery and corruption. Copies of the Manager’s anti-bribery and corruption policies are available on its website.

In relation to the corporate offence of failing to prevent tax evasion, it is the Company’s policy to conduct all business in an honest and ethical manner. The Company takes a zero-tolerance approach to facilitation of tax evasion whether under UK law or under the law of any foreign country and is committed to acting professionally, fairly and with integrity in all its business dealings and relationships.

Corporate Governance

The Company is committed to high standards of corporate governance. The Board is accountable to the Company’s shareholders for good governance and this statement describes how the Company has applied the principles identified in the UK Corporate Governance Code as published in July 2018 (the “UK Code”), which is available on the Financial Reporting Council’s (the “FRC”) website: **frc.org.uk**.

The Board has also considered the principles and provisions of the AIC Code of Corporate Governance as published in February 2019 (the “AIC Code”). The AIC Code addresses the principles and provisions set out in the UK Code, as well as setting out additional provisions on issues that are of specific relevance to the Company. The AIC Code is available on the AIC’s website: **theaic.co.uk.** It includes an explanation of how the AIC Code adapts the principles and provisions set out in the UK Code to make them relevant for investment companies.

The Board considers that reporting against the principles and provisions of the AIC Code, which has been endorsed by the FRC, provides more relevant information to shareholders.

The Board confirms that, during the year, the Company complied with the principles and provisions of the AIC Code and the relevant provisions of the UK Code, except as set out below.

The UK Code includes provisions relating to:

- interaction with the workforce (provisions 2, 5 and 6);
- the role and responsibility of the chief executive (provisions 9 and 14);
- previous experience of the chairman of a remuneration committee (provision 32); and
- executive directors’ remuneration (provisions 33 and 36 to 40).

The Board considers that these provisions are not relevant to the position of the Company, being an externally managed investment company. In particular, all of the Company’s day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no executive directors, employees or internal operations. The Company has therefore not reported further in respect of these provisions.

The full text of the Company’s Corporate Governance Statement can be found on its website.

Matters Reserved for the Board

The Board sets the Company’s objectives and ensures that its obligations to its shareholders are met. It has formally adopted a schedule of matters which are required to be brought to it for decision, thus ensuring that it maintains full and effective control over appropriate strategic, financial, operational and compliance issues.

These matters include:

- the maintenance of clear investment objectives and risk management policies;
- the monitoring of the business activities of the Company ranging from analysis of investment performance through to review of quarterly management accounts;
- monitoring requirements such as approval of the Half-Yearly Report and Annual Report and financial statements and approval and recommendation of any dividend;
- setting the range of gearing in which the Manager may operate;
- major changes relating to the Company’s structure including share buy-backs and share issuance;
- Board appointments and removals and the related terms;

- authorisation of Directors' conflicts or possible conflicts of interest;
- terms of reference and membership of Board Committees;
- appointment and removal of the Manager and the terms and conditions of the Management Agreement relating thereto; and
- London Stock Exchange/Financial Conduct Authority - responsibility for approval of all circulars, listing particulars and other releases concerning matters decided by the Board.

Full and timely information is provided to the Board to enable it to function effectively and to allow the Directors to discharge their responsibilities.

Board Committees

The Board has appointed a number of Committees, as set out below. Copies of their terms of reference, which clearly define the responsibilities and duties of each Committee, are available on the Company's website, or upon request from the Company. The terms of reference of each of the Committees are reviewed and re-assessed by the Board for their adequacy on an ongoing basis.

Audit Committee

The Audit Committee's Report is contained on pages 60 to 63.

Management Engagement Committee

The Management Engagement Committee comprises the full Board and is chaired by Tim Scholefield. The main responsibilities of the Committee include:

- monitoring and evaluating the performance of the Manager;
- reviewing at least annually the continued retention of the Manager;
- reviewing, at least annually, the terms of appointment of the Manager including, but not limited to, the level and method of remuneration and the notice period of the Manager; and
- reviewing the performance and remuneration of the other key service providers to the Company.

The Committee met twice during the year to 30 June 2020 and, following a review of performance and the terms of appointment of the Manager, recommended to the Board that the continuing appointment of the Manager was in the best interests of the shareholders and the Company as a whole. In reaching this decision, the Committee considered the Company's long-term performance record and concluded that it remained satisfied with the capability of the Standard Life Aberdeen Group to deliver satisfactory investment performance, that its investment screening processes are thorough and robust and that it employs a well-resourced team of skilled and experienced fund managers. In addition, the Committee is satisfied that the Standard Life Aberdeen Group has the secretarial, administrative and promotional skills required for the effective operation and administration of the Company.

Nomination Committee

The Nomination Committee comprises the full Board and since 31 March 2020 has been chaired by Liz Airey. The main responsibilities of the Committee include:

- regularly reviewing the structure, size and composition (including the skills, knowledge, experience, diversity and gender) of the Board;
- undertaking succession planning, taking into account the challenges and opportunities facing the Company and identifying candidates to fill vacancies;
- recruiting new Directors, undertaking open advertising or engaging external advisers to facilitate the search, as appropriate, with a view to considering candidates from a wide range of backgrounds, on merit, and with due regard for the benefits of diversity on the Board, taking care to ensure that appointees have enough time available to devote to the position;
- ensuring that new appointees receive a formal letter of appointment and suitable induction and ongoing training;
- arranging for annual Board performance evaluations to ensure that Directors are able to commit the time required to properly discharge their duties;
- making recommendations to the Board as to the position of Chairman, Senior Independent Director and Chairmen of the Nomination, Audit and Management Engagement Committees;
- assessing, on an annual basis, the independence of each Director;

Directors' Report Continued

- approving the re-election of any Director, subject to the UK Code, the AIC Code, or the Articles of Association, at the Annual General Meeting, having due regard to their performance, ability to continue to contribute to the Board in the light of the knowledge, skills and experience required and the need for progressive refreshing of the Board; and
- determining the Directors' remuneration policy and level of remuneration, including for the Chairman.

During the year, an independent search consultancy firm, Fletcher Jones Limited, was used to assist in the selection of a new Director, resulting in the appointment of Liz Airey on 21 August 2019. Fletcher Jones Limited has no other relationship with the Company or with any of the Directors.

Going Concern

The Company's assets consist mainly of equity shares in companies listed on recognised stock exchanges and are considered by the Board to be realisable within a short timescale under normal market conditions. The Board has set overall limits for borrowing and reviews regularly the Company's level of gearing, cash flow projections and compliance with banking covenants. The Board has also performed stress testing and liquidity analysis.

As at 30 June 2020, the Company had a £45 million unsecured loan facility agreement with The Royal Bank of Scotland International Limited which matures on 31 October 2022. This consists of a five year, fixed-rate term loan facility of £25 million and a five year revolving credit facility of £20 million.

The Directors are mindful of the Principal Risks and Uncertainties disclosed in the Strategic Report on pages 12 to 14 and they believe that the Company has adequate financial resources to continue its operational existence for a period of not less than 12 months from the date of approval of this Report. They have arrived at this conclusion having confirmed that the Company's diversified portfolio of realisable securities is sufficiently liquid and could be used to meet short-term funding requirements were they to arise, including in current market conditions caused by the COVID-19 pandemic. The Directors have also reviewed the revenue and ongoing expenses forecasts for the coming year. Accordingly, the Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

Accountability and Audit

The respective responsibilities of the Directors and the Independent Auditor in connection with the financial statements appear on pages 66 and 67 to 70.

The Directors confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Independent Auditor was unaware, and that each Director has taken all the steps that they might reasonably be expected to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's Independent Auditor was aware of that information.

Independent Auditor

Shareholders approved the re-appointment of KPMG LLP as the Company's Independent Auditor at the AGM on 23 October 2019 and resolutions to approve its re-appointment for the year to 30 June 2021 and to authorise the Directors to determine its remuneration will be proposed at the AGM on 21 October 2020.

Financial Instruments

The financial risk management objectives and policies arising from financial instruments and the exposure of the Company to risk are disclosed in note 16 to the financial statements.

Relations with Shareholders

The Directors place a great deal of importance on communications with shareholders. Shareholders and investors may obtain up to date information on the Company through its website and the Manager's Customer Services Department (see Contact Addresses).

The Board's policy is to communicate directly with shareholders and their representative bodies without the involvement of the management group (including the Company Secretary or the Manager) in situations where direct communication is required, and representatives from the Manager meet with major shareholders on at least an annual basis in order to gauge their views, and report back to the Board on these meetings. In addition, the Company Secretary only acts on behalf of the Board, not the Manager, and there is no filtering of communication. At each Board meeting the Board receives full details of any communication from shareholders to which the Chairman responds personally as appropriate.

The Company's Annual General Meeting usually provides a forum for communication primarily with private shareholders and is attended by the Board. The Manager makes a presentation to the meeting and all shareholders have the opportunity to put questions to both the Board and the Manager at the meeting. The Manager also hosts a regular 'Meet the Manager' session at which members of the Board are present and to which all shareholders are invited.

The notice of the Annual General Meeting is sent out at least 20 working days in advance of the meeting. All shareholders have the opportunity to put questions to the Board and Manager at the meeting.

Additional Information

Where not provided elsewhere in the Directors' Report, the following provides the additional information required to be disclosed by Part 15 of the Companies Act 2006.

There are no restrictions on the transfer of Ordinary shares in the Company issued by the Company other than certain restrictions which may from time to time be imposed by law (for example, the Market Abuse Regulation). The Company is not aware of any agreements between shareholders that may result in a transfer of securities and/or voting rights.

The rules governing the appointment of Directors are set out in the Directors' Remuneration Report on pages 56 to 59. The Company's Articles of Association may only be amended by a special resolution passed at a general meeting of shareholders.

The Company is not aware of any significant agreements to which it is a party that take effect, alter or terminate upon a change of control of the Company following a takeover. Other than the management agreement with the Manager, further details of which are set out on page 47, the Company is not aware of any contractual or other agreements which are essential to its business which could reasonably be expected to be disclosed in the Directors' Report.

Annual General Meeting

The Notice of the Annual General Meeting, which will be held on Wednesday, 21 October 2020, and related notes, may be found on pages 105 to 112.

This year, due to the uncertainties caused by the COVID-19 pandemic and, in particular, the restrictions on public gatherings and requirements to socially distance, it is likely that the Annual General Meeting will be held on a functional only basis, satisfying the minimum legal requirements. Instead, shareholders are encouraged to submit questions to the Board and the Manager. Further details can be found in the Chairman's Statement on pages 7 to 8.

Resolutions including the following business will be proposed.

Issue of Ordinary Shares

Resolution 12, which is an ordinary resolution, will, if passed, renew the Directors' authority to allot new Ordinary shares up to 10% of the issued share capital of the Company (excluding treasury shares) as at the date of the passing of the resolution.

Resolution 13, which is a special resolution, will, if passed, renew the Directors' existing authority to allot new Ordinary shares or sell treasury shares for cash without the new Ordinary shares first being offered to existing shareholders in proportion to their existing holdings. This will give the Directors authority to make limited allotments or sell shares from treasury of up to 10% of the total ordinary issued share capital, excluding treasury shares, as at the date of the passing of the resolution.

The authority to issue shares on a non pre-emptive basis includes shares held in treasury (if any) which the Company sells or transfers, including pursuant to the authority conferred by resolution 12.

New Ordinary shares will only be issued at prices representing a premium to the last published net asset value per share.

The authorities being sought under resolutions 12 and 13 shall expire at the conclusion of the Company's next AGM in 2021 or, if earlier, on the expiry of 15 months from the date of the passing of the resolutions, unless such authorities are renewed prior to such time. The Directors have no current intention to exercise these authorities and will only do so if they believe it is advantageous and in the best interests of shareholders.

Purchase of the Company's Ordinary Shares

Resolution 14, which is a special resolution, seeks to renew the Board's authority to make market purchases of the Company's Ordinary shares in accordance with the provisions contained in the Companies Act 2006 and the FCA's Listing Rules. Accordingly, the Company will seek authority to purchase up to a maximum of 14.99% of the issued share capital (excluding treasury shares) at the date of passing of the resolution at a minimum price of 25 pence per share (being the nominal value). Under the Listing Rules, the maximum price that may be paid on the exercise of this authority must not exceed the higher of: (i) 105% of the average of the middle market quotations (as derived from the Daily Official List of the London Stock Exchange) for the shares over the five business days immediately preceding the date of purchase; and (ii) the higher of the last independent trade and the highest current independent bid on the trading venue on which the purchase is carried out.

Directors' Report Continued

The Board does not intend to use this authority to purchase the Company's Ordinary shares, unless to do so would result in an increase in the net asset value per Ordinary share and would be in the best interests of shareholders. Any Ordinary shares purchased shall either be cancelled or held in treasury. The authority being sought shall expire at the conclusion of the AGM in 2021 or, if earlier, on the expiry of 15 months from the date of the passing of the resolution unless such authority is renewed prior to such time.

The Company bought back 520,213 Ordinary shares during the year ended 30 June 2020, representing 0.5% of the issued share capital. These buy backs were conducted in accordance with the Company's discount control policy which is included on page 16. It is the view of the Board that this policy is in the best interests of shareholders as a whole. The use of the share buy back authority during the year is set out in the Chairman's Statement on page 7. The discount at the year end was 8.7% (2019: 8.9%). It is estimated that the share buy backs conducted during the year provided an enhancement of 0.2p to the net asset value per share.

Sale of Treasury Shares

Subject to the passing of resolution 13, resolution 15, which is an ordinary resolution, will give the Directors authority to sell Ordinary shares out of treasury for cash at a price below the then prevailing net asset value of the Ordinary Shares, provided always that the Ordinary shares will only be sold or transferred out of treasury at prices (a) in excess of the average price at which the Ordinary shares were bought into treasury; and (b) at a narrower discount to the net asset value than the average level of discount that the Ordinary shares were purchased at. Any dilution to the net asset value resulting from (b) above shall be restricted to no more than 0.5% in any financial year.

Tender Offers

In addition to the authority that is being sought by the Company under resolution 14 to purchase its own Ordinary shares of 25 pence each, resolution 16, which is a special resolution, grants the Board the authority to implement one or more tender offers and to repurchase up to a maximum of 10% of the Company's issued share capital in the financial year prior to the conclusion of the next AGM. If resolution 16 is passed, the tender offers will be structured by way of an on-market offer by a market-maker and the price will be an amount equal to the realisation value of the assets attributable to the shares tendered, as at the latest practicable date before such tender, less an exit charge of 2%. The shares will subsequently be bought back by the Company from the market-maker at the same price and cancelled or held in treasury.

If resolution 16 is passed, such authority will expire at the conclusion of the Company's AGM in 2021 or, if earlier, on the expiry of 15 months from the date of the passing of the resolution unless renewed prior to that date.

Any future tender offer will be conducted at the Board's discretion in circumstances where the Board believes that share buy-backs are not sufficient to maintain the discount at an appropriate level. Any tender offers will be conducted in accordance with the FCA's Listing Rules and the rules of the London Stock Exchange. If the Board decides to implement a tender offer, shareholders will be notified prior to each tender offer of the full terms and conditions of the tender offer and the procedure for tendering shares.

Notice of Meeting

Under the Companies Act 2006, the notice period for the holding of general meetings of the Company is 21 clear days unless shareholders agree to a shorter notice period and certain other conditions are met. Resolution 17, which is a special resolution, will seek to authorise the Directors to call general meetings of the Company (other than Annual General Meetings) on not less than 14 clear days' notice, as permitted by the Companies Act 2006 amended by the Companies (Shareholders' Rights) Regulations 2009.

It is currently intended that this flexibility to call general meetings on shorter notice will only be used for non-routine business and where it is considered to be in the interests of all shareholders. If resolution 17 is passed, the authority to convene general meetings on not less than 14 clear days' notice will remain effective until the conclusion of the AGM in 2021 or, if earlier, on the expiry of 15 months from the date of the passing of the resolution, unless renewed prior to such time.

Adoption of New Articles of Association

Resolution 18, which will be proposed as a special resolution, seeks shareholder approval to adopt amended Articles of Association (the "New Articles") in order to update the Company's current Articles of Association (the "Existing Articles").

A summary of the principal amendments being introduced in the New Articles which the Board considers will be of most interest to shareholders is set out in the appendix to the Notice of AGM (on pages 111 to 112 of this document). Other amendments, which are of a minor, technical or clarifying nature, have not been summarised in the appendix.

While the New Articles (if adopted) would permit shareholder meetings to be conducted using electronic means, the Directors have no present intention of holding a virtual-only meeting. These provisions will only be used where the Directors consider it is in the best of interests of shareholders for a hybrid or virtual-only meeting to be held. Nothing in the New Articles will prevent the Company from holding physical shareholder meetings.

The amendments in relation to holding shareholder meetings using electronic means are being sought in response to challenges posed by government restrictions on social interactions as a result of the COVID-19 pandemic, which have made it impossible for shareholders to attend physical general meetings. The Board recognises that the AGM is an important occasion where shareholders can meet and question the Manager and the Board.

The Board is committed to ensuring that future general meetings (including AGMs) incorporate a physical meeting where shareholders can meet with the Board, face to face, and where law and regulation permits. The potential to hold a general meeting through wholly electronic means is intended as a solution to be adopted as a last resort to ensure the continued smooth operation of the Company in extreme operating circumstances where physical meetings are effectively prohibited. The Company has no present intention of holding a wholly electronic general meeting but wants to be prepared for the future.

A copy of the New Articles, together with a copy showing all of the proposed changes to the Existing Articles, will be available for inspection on the Company's website, s**tandardlifeuksmallercompaniestrust.co.uk**, and at the offices of Dickson Minto W.S., Broadgate Tower, 20 Primrose Street, London EC2A 2EW between the hours of 9.00am and 5.00pm (Saturdays, Sundays and public holidays excepted), from the date of the notice of AGM until the close of the AGM, and will also be available for inspection at the venue of the AGM from 15 minutes before and during the AGM.

Recommendation

The Board considers that the resolutions to be proposed at the Annual General Meeting are in the best interests of the Company and most likely to promote the success of the Company for the benefit of its members as a whole. Accordingly, the Board recommends that shareholders vote in favour of the resolutions as they intend to do in respect of their own beneficial shareholdings, amounting to 63,451 Ordinary shares, representing 0.06% of the issued share capital.

By order of the Board
Aberdeen Asset Management PLC
Company Secretary
1 George Street
Edinburgh EH2 2LL
8 September 2020

Directors' Remuneration Report

This Directors' Remuneration Report comprises three parts:

1. a Remuneration Policy which is subject to a binding shareholder vote every three years (or sooner if varied during this interval) – most recently voted on at the Annual General Meeting on 26 October 2017, with approval to be renewed at the Annual General Meeting this year;
2. an Implementation Report which is subject to an advisory vote on the level of remuneration paid during the year; and
3. an Annual Statement.

Company law requires the Company's Independent Auditor to audit certain of the disclosures provided in the Directors' Remuneration Report. Where disclosures have been audited, they are indicated as such. The Independent Auditor's report is included on pages 67 to 70.

As the Company has no employees, and the Board is comprised wholly of non-executive Directors, and given the size and nature of the Company, the Board has not established a separate Remuneration Committee. The Director's Remuneration Policy and level of Directors' remuneration are determined by the Nomination Committee, which is chaired by Liz Airey and comprises all of the Directors.

Remuneration Policy

The Directors' Remuneration Policy takes into consideration the principles of UK corporate governance and the AIC's recommendations regarding the application of those principles to investment companies.

No shareholder views have been sought in setting the remuneration policy and no communication was received from shareholders during the year regarding Directors' remuneration.

The Company's policy is that the remuneration of the Directors, all of whom are non-executive, should reflect the experience of the Board as a whole and be fair and comparable to that of other investment trusts with a similar capital structure and similar investment objectives. Directors are remunerated exclusively in the form of fees, payable monthly in arrears to the Director personally. The fees for the Directors are determined within the limits set out in this Remuneration Policy which limits the aggregate of the fees payable to the Directors to £200,000 per annum. It is intended that the fees payable to the Directors should reflect their duties, responsibilities, and the value and amount of time committed to the Company's affairs, and should also be sufficient to enable candidates of a high quality to be recruited and retained. There is no performance-related remuneration scheme and therefore the Directors do not receive bonuses, pension benefits, share options, long-term incentive schemes or other benefits, and the fees are not specifically related to the Directors' performance, either individually or collectively.

The levels of fees at the year end are set out in the table below. Fees are reviewed annually and, if considered appropriate, increased accordingly.

	30 June 2020 £	30 June 2019 £
Chairman	35,000	34,000
Chairman of the Audit Committee	27,800	27,000
Chairman of the Management Engagement Committee	25,200	24,500
Director	23,700	23,000

Appointment

- The Company only intends to appoint non-executive Directors.
- All the Directors are non-executive and are appointed under the terms of letters of appointment.
- The terms of appointment provide that Directors should retire and be subject to election at the first Annual General Meeting after their appointment. The Company's Articles of Association require all Directors to retire by rotation at least every three years. However, notwithstanding the Articles of Association, the Board has agreed that all Directors should retire annually and, if appropriate, seek re-election at the AGM.
- Any Director newly appointed to the Board will receive the fee applicable to each of the other Directors at the time of appointment together with any other fee then currently payable in respect of a specific role which the new Director is to undertake for the Company.
- No incentive or introductory fees will be paid to encourage a person to become a Director.
- Directors are not eligible for bonuses, pension benefits, share options, long term incentive schemes or other benefits.
- Directors are entitled to re-imbursement of out-of-pocket expenses incurred in connection with the performance of their duties, including travel expenses.
- The Company indemnifies its Directors for all costs, charges, losses, expenses and liabilities which may be incurred in the discharge of duties as a Director of the Company.

Performance, Service Contracts, Compensation and Loss of Office

- Directors' remuneration is not subject to any performance related fee.
- No Director has a service contract.
- No Director was interested in contracts with the Company during the period or subsequently.
- The terms of appointment provide that a Director may be removed without notice.
- There is no notice period and no provision for compensation upon early termination of appointment, save for any arrears of fees which may be due.
- No Director is entitled to any other monetary payment or any assets of the Company.

Directors' & Officers' liability insurance cover is maintained by the Company on behalf of the Directors.

There were no changes to the Directors' Remuneration Policy during the year nor are there any proposals for changes in the foreseeable future. The Remuneration Policy is reviewed by the Nomination Committee on an annual basis and it is the Committee's intention that this Remuneration Policy will apply for the three year period ending 30 June 2023.

Statement of Voting at General Meeting

At the Annual General Meeting held on 26 October 2017, shareholders approved the Directors' Remuneration Policy. 99.7% of proxy votes were in favour of the resolution, 0.2% were against and 0.1% abstained.

A resolution to approve the Directors' Remuneration Policy, which will apply for the three year period ending 30 June 2023, will be proposed at the Annual General Meeting.

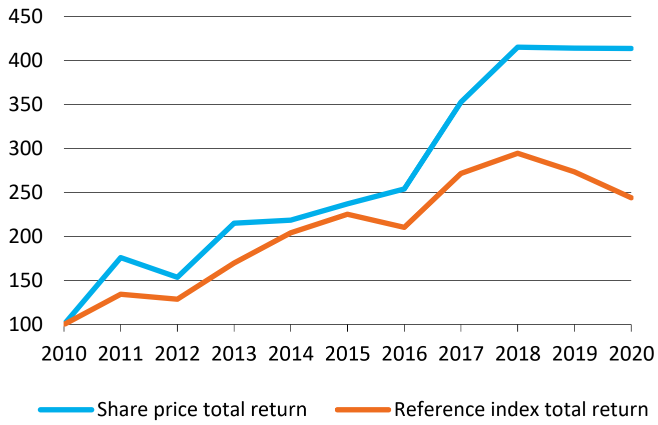
Implementation Report

Review of Directors' Fees

The Nomination Committee carried out a review of the level of Directors' fees during the year, which included consideration of fees paid by comparable investment trusts and the sector as a whole. Following this review, the Committee concluded that there would be no fee increases at the current time. The Nomination Committee was not provided with advice or services by any person in respect of its consideration of the Directors' remuneration.

Company Performance

The graph below shows the share price total return (assuming all dividends are reinvested) to Ordinary shareholders compared to the total return from the Numis Smaller Companies plus AIM (ex investment companies) Index for the ten year period to 30 June 2020 (rebased to 100 at 30 June 2010). This index was chosen for comparison purposes as it is the reference index used for investment performance measurement purposes.



Statement of Voting at General Meeting

At the Company's last Annual General Meeting, held on 23 October 2019, shareholders approved the Directors' Remuneration Report (excluding the Directors' Remuneration Policy) in respect of the year ended 30 June 2019. 92.4% of proxy votes were in favour of the resolution, 2.4% were against and 5.2% abstained.

A resolution to approve the Directors' Remuneration Report (excluding the Directors' Remuneration Policy) in respect of the year ended 30 June 2020 will be proposed at the Annual General Meeting.

Spend on Pay

As the Company has no employees, the Directors do not consider it appropriate to present a table comparing remuneration paid to employees with distributions to shareholders. The total fees paid to Directors are shown below.

Directors' Remuneration Report Continued

Audited Information
Directors' Remuneration
The Directors who served during the year received the following emoluments in the form of fees and taxable expenses:

	Year ended 30 June 2020			Year ended 30 June 2019		
	Fees	Taxable Expenses	Total	Fees	Taxable Expenses	Total
Director	£	£	£	£	£	£
Liz Airey[A]	23,276	958	24,234	-	-	-
Ashton Bradbury[B]	23,700	1,124	24,824	23,000	896	23,896
Carol Ferguson[C]	-	--	-	7,296	836	8,132
Alexa Henderson[D]	23,700	-	23,700	16,817	-	16,817
Allister Langlands[E]	26,250	1,263	27,513	34,000	575	34,575
Caroline Ramsay	27,800	3,793	31,593	27,000	3,434	30,434
Tim Scholefield	25,200	1,248	26,448	24,500	1,530	26,030
Total	**149,926**	**8,386**	**158,312**	**132,613**	**7,271**	**139,884**

[A] Appointed a Director on 21 August 2019 and Chairman on 31 March 2020
[B] Appointed a Director on 2 July 2018
[C] Retired 25 October 2018
[D] Appointed a Director on 8 October 2018
[E] Retired 31 March 2020

The above amounts exclude any employers' national insurance contributions, if applicable. All fees are at a fixed rate and there is no variable remuneration. Fees are pro-rated where a change takes place during a financial year. There were no payments to third parties included in the fees referred to in the table above. There are no further fees to disclose as the Company has no employees, chief executive or executive directors.

Annual Percentage Change in Directors' Remuneration
The table below sets out the annual percentage change in Directors' remuneration for the past year.

	Year ended 30 June 2020	
	Fees	Taxable Expenses
	%	%
Liz Airey[A]	n/a	n/a
Ashton Bradbury	3.0	25.4
Alexa Henderson[B]	40.9	n/a
Allister Langlands[C]	-22.8	119.6
Caroline Ramsay	3.0	10.4
Tim Scholefield	2.9	-18.4

[A] Appointed a Director on 21 August 2019
[B] Appointed a Director on 8 October 2018
[C] Retired 31 March 2020

Directors' Interests in the Company
The Directors are not required to have a shareholding in the Company. The Directors (including their connected persons) at 30 June 2020 and 30 June 2019 had no interest in the share capital of the Company other than those interests, all of which are beneficial, shown in the following table.

	30 June 2020	30 June 2019
	Ordinary shares	Ordinary shares
Liz Airey	40,000	-
Ashton Bradbury	10,000	10,000
Alexa Henderson	2,942	2,942
Allister Langlands	95,000[A]	95,000
Caroline Ramsay	4,545	4,545
Tim Scholefield	5,964	5,964

[A] At date of retirement on 31 March 2020.

There have been no changes to the Directors' interests in the share capital of the Company since the year end up to the date of approval of this Report.

Annual Statement

On behalf of the Board and in accordance with Part 2 of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, it is confirmed that the above Remuneration Report summarises, as applicable, for the year to 30 June 2020:

- the major decisions on Directors' remuneration;
- any substantial changes relating to Directors' remuneration made during the year; and
- the context in which the changes occurred and decisions have been taken.

On behalf of the Nomination Committee
Liz Airey
Chairman of the Nomination Committee
8 September 2020

Audit Committee's Report

The Audit Committee presents its Report for the year ended 30 June 2020.

Committee Composition

The Committee comprises all of the non-executive Directors other than the Chairman of the Board. The Committee is chaired by Caroline Ramsay who is a Chartered Accountant and has recent and relevant financial experience. The Board is satisfied that the Committee as a whole has competence relevant to the investment trust sector.

Functions of the Audit Committee

The principal role of the Audit Committee is to assist the Board in relation to the reporting of financial information, the review of financial controls and the management of risk. The Committee has defined terms of reference which are reviewed and re-assessed for their adequacy on at least an annual basis. Copies of the terms of reference are published on the Company's website and are available from the Company on request.

The Committee's main functions are listed below:

- to review and monitor the internal control systems and risk management systems (including review of non-financial risks) on which the Company is reliant (the Directors' statement on the Company's internal controls and risk management is set out below);
- to consider whether there is a need for the Company to have its own internal audit function;
- to monitor the integrity of the half-yearly and annual financial statements of the Company and any formal announcements relating to the Company's financial performance, by reviewing, and challenging where necessary the actions and judgements of the Manager;
- to review, and report to the Board on, the significant financial reporting issues and judgements made in connection with the preparation of the Company's financial statements, half-yearly financial reports, and any formal announcements relating to the Company's financial performance;
- to review the content of the Annual Report and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy;
- to meet with the Independent Auditor to review the proposed audit programme of work and the findings of the Independent Auditor. The Committee shall also use this as an opportunity to assess the effectiveness of the audit process;
- to develop and implement policy on the engagement of the Independent Auditor to supply non-audit services. Non-audit fees paid to the Independent Auditor during the year under review amounted to £nil (2019: £17,000 in relation to services provided to the Company as part of the merger with Dunedin Smaller Companies Investment Trust PLC). All non-audit services must be approved in advance by the Audit Committee and will be reviewed in the light of relevant guidance and statutory requirements regarding the provision of non-audit services by the external audit firm, and the need to maintain the Auditor's independence;
- to review a statement from the Standard Life Aberdeen Group detailing the arrangements in place within the group whereby staff may, in confidence, escalate concerns about possible improprieties in matters of financial reporting or other matters;
- to make recommendations to the Board in relation to the appointment of the Independent Auditor and to approve the remuneration and terms of engagement of the Independent Auditor; and
- to monitor and review the Auditor's independence, objectivity, effectiveness, resources and qualification, taking into consideration relevant UK professional and regulatory requirements;

Activities During the Year

The Audit Committee met twice during the year when, amongst other things, it considered the Annual Report and the Half-Yearly Financial Report in detail. Representatives of the Standard Life Aberdeen Group's internal audit, risk and compliance departments reported to the Committee at these meetings on matters such as internal control systems, risk management and the conduct of the business in the context of its regulatory environment. No significant weaknesses in the control environment were identified and it was also noted that there had not been any adverse comment from the Independent Auditor and that the Independent Auditor had not identified any significant issues in its audit report. The Committee, therefore, concluded that there were no significant issues which required to be escalated to the Board.

The Committee also considered the implications for the Company as a result of the spread of the COVID-19 virus, including the resilience of the reporting and control systems in place for both the Manager and other service providers.

Internal Controls and Risk Management

The Board confirms that there is an ongoing process for identifying, evaluating and managing the Company's significant business and operational risks, that has been in place for the year ended 30 June 2020 and up to the date of approval of the Annual Report, is regularly reviewed by the Board and accords with the FRC's guidance on internal controls.

The Board has overall responsibility for ensuring that there is a system of internal controls and risk management in place and a process for reviewing its effectiveness. Day-to-day measures have been delegated to the Manager with an effective process of reporting to the Board for supervision and control. The system of internal controls and risk management is designed to meet the Company's particular needs and the risks to which it is exposed. Accordingly, the system of internal control and risk management is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and, by its nature, can only provide reasonable and not absolute assurance against material misstatement or loss.

The design, implementation and maintenance of controls and procedures to safeguard the assets of the Company and to manage its affairs properly extends to operational and compliance controls and risk management. The Board, through the Audit Committee, has prepared its own risk register which lists potential risks as summarised in the Strategic Report on pages 12 to 14. The Board considers the potential cause and possible effect of these risks as well as reviewing the controls in place to mitigate them.

Clear lines of accountability have been established between the Board and the Manager. The Board receives regular reports covering key performance and risk indicators and considers control and compliance issues brought to its attention. In carrying out its review, the Board has had regard to the activities of the Standard Life Aberdeen Group, including its internal audit and compliance functions, and the Independent Auditor.

The Board has reviewed the Standard Life Aberdeen Group's process for identifying and evaluating the significant risks faced by the Company and the policies and procedures by which these risks are managed. The Board has also reviewed the effectiveness of the Standard Life Aberdeen Group's system of internal control as it relates to the Company, including its annual internal controls report prepared in accordance with the International Auditing and Assurance Standards Board's International Standard on Assurances Engagements ("ISAE") 3402, "Assurance Reports on Controls at a Service Organization". Any weaknesses identified that are relevant to the Company are reported to the Audit Committee and timetables are agreed for implementing improvements to systems. The implementation of any remedial action required is monitored and feedback provided to the Audit Committee.

The key components designed to provide effective internal control are outlined below:

- the Board and Manager have agreed clearly defined investment criteria, specified levels of authority and exposure limits. Reports on these issues, including performance statistics and investment valuations, are regularly submitted to the Board;
- written agreements are in place which specifically define the roles and responsibilities of the Manager and other third party service providers. These agreements are reviewed periodically by the Board;
- the Manager prepares forecasts and management accounts which allow the Board to assess the Company's activities and review its performance;
- as a matter of course the Standard Life Aberdeen Group's internal audit and compliance departments continually review its operations;
- bi-annually, the Audit Committee carries out an assessment of internal controls by considering documentation from the Standard Life Aberdeen Group, including the internal audit and compliance functions and reports to the Board on its conclusions; and
- the Audit Committee reviews internal control reports provided by the Depositary, BNP Paribas Securities Services, London Branch.

Audit Committee's Report Continued

The Board has considered the need for an internal audit function. However, the Company has no employees and the day-to-day management of the Company's assets has been delegated to the Standard Life Aberdeen Group which has its own compliance and internal control systems. The Board has therefore decided to place reliance on those systems and internal audit procedures and has concluded that it is not necessary for the Company to have its own internal audit function.

Financial Statements and Significant Matters

During its review of the Company's financial statements for the year ended 30 June 2020, the Audit Committee considered the following significant matters, in particular those communicated by the Independent Auditor during its planning and reporting of the year end audit:

Valuation, Existence and Ownership of Investments

How the matter was addressed - The Company uses the services of an independent depositary (BNP Paribas Securities Services, London Branch) (the "Depositary") to hold the assets of the Company. An annual internal control report is received from the Depositary and reviewed by the Audit Committee. This provides details of the Depositary's control environment. The investment portfolio is reconciled regularly by the Manager. The portfolio is reviewed and verified by the Manager on a regular basis and management accounts, including a full portfolio listing, are prepared quarterly and are considered at the quarterly meetings of the Board. The Committee also considered the Independent Auditor's work and conclusions in this area. The valuation of investments is undertaken in accordance with the accounting policies disclosed in note 1(b) to the financial statements.

The Committee satisfied itself that there were no issues associated with the valuation, existence and ownership of the investments which required to be addressed.

Recognition of Dividend Income

How the matter was addressed - The recognition of dividend income is undertaken in accordance with accounting policy note 1(d) to the financial statements. Special dividends are allocated to the capital or revenue accounts according to the nature of the payment and the specific circumstances. Management accounts are reviewed by the Board on a quarterly basis and discussions take place with the Manager regarding the allocation of any special dividends that have been received. The Committee also considered the Independent Auditor's work and conclusions in this area.

The Committee concluded that there were no issues associated with the recognition of dividend income which required to be addressed.

Review of Financial Reporting

The Committee, when considering the draft Annual Report and financial statements for the year ended 30 June 2020, concluded that taken as a whole, they are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy. In reaching this conclusion, the Committee has assumed that the reader of the Annual Report and financial statements would have a reasonable knowledge of the investment industry in general and of investments trusts in particular.

Review of Independent Auditor

The Audit Committee has reviewed the effectiveness of the Independent Auditor, KPMG LLP ("KPMG"), including:

- Independence - the Independent Auditor discusses with the Audit Committee, at least annually, the steps it takes to ensure its independence and objectivity and makes the Committee aware of any potential issues, explaining all relevant safeguards.
- Quality of audit work - including the ability to resolve issues in a timely manner (identified issues are satisfactorily and promptly resolved), its communications/presentation of outputs (the explanation of the audit plan, any deviations from it and the subsequent audit findings are comprehensive and comprehensible), and working relationship with management (the Independent Auditor has a constructive working relationship with the Manager).
- Quality of people and service - including continuity and succession plans (the audit team is made up of sufficient, suitably experienced staff with provision made for knowledge of the investment trust sector and retention on rotation of the audit partner).
- Fees – including current and proposed fees for future years.

The Independent Auditor's report is included on pages 67 to 70. Details of the amounts paid to KPMG during the year for audit services are set out in note 4 to the financial statements.

Tenure of the Independent Auditor
KPMG was initially appointed as the Company's Independent Auditor at the Annual General Meeting on 26 October 2017. In accordance with present professional guidelines the audit partner is rotated after no more than five years and the year ended 30 June 2020 is the third year for which the present audit partner has served.

The next audit tender of the Company is due to take place by 2027 in compliance with EU regulations and the FRC's Guidance on audit tenders.

The Audit Committee is satisfied with the quality of the work and service carried out by KPMG and with the level of fees. The Committee is also satisfied that KPMG is independent and therefore supports the recommendation to the Board that the re-appointment of KPMG be put to shareholders for approval at the Annual General Meeting.

On behalf of the Audit Committee
Caroline Ramsay
Chair of the Audit Committee
8 September 2020

Financial Statements

For the year ended 30 June 2020, the Company's Net Asset Value total return was -0.5%, outperforming the total return of -10.7% from the Company's reference index, the Numis Smaller Companies plus AIM (ex-investment companies) Index.

A steel bear sculpture by Scottish artist Andy Scott, in Dunbar, East Lothian. The welded artwork was hot dip galvanized at one of Hill & Smith's plants. Steve Kydd / Alamy Stock Photo

Red Confidential / Shutterstock.com

Diploma – an international group of businesses supplying specialised technical products and services.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 'The Financial Reporting Standard Applicable in the UK and Republic of Ireland'.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Statement of Corporate Governance that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website, but not for the content of any information included on the website that has been prepared or issued by third parties. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors confirm that to the best of their knowledge:

- the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Annual Report taken as a whole, is fair, balanced and understandable and it provides the information necessary to assess the Company's position and performance, business model and strategy; and
- the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that the Company faces.

On behalf of the Board
Liz Airey
Chairman
8 September 2020

Independent Auditor's Report to the Members of Standard Life UK Smaller Companies Trust plc

1. Our Opinion is Unmodified

We have audited the financial statements of Standard Life UK Smaller Companies Trust plc (the "Company") for the year ended 30 June 2020 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2020 and of the Company's return for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit Committee.

We were first appointed as auditor by the shareholders on 26 October 2017. The period of total uninterrupted engagement is for the three financial years ended 30 June 2020. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

2. Key Audit Matters: Our Assessment of Risks of Material Misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matter (unchanged from 2019), in arriving at our audit opinion above, together with our key audit procedures to address this matter and, as required for public interest entities, our results from those procedures. This matter was addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on this matter.

	The Risk	Our Response
Carrying amount of quoted investments (£527.0 million; 2019: £550.9 million) *Refer to page 62 (Audit Committee Report), page 75 (accounting policy) and page 81 (financial disclosures).*	**Low risk, high value** The Company's portfolio of quoted investments makes up 95% (2019: 97%) of the Company's total assets (by value) and is considered to be the key driver of results. We do not consider these investments to be at a high risk of significant misstatement, or to be subject to a significant level of judgement because they comprise liquid, quoted investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.	**Our procedures included:** · **Tests of detail:** Agreed the valuation of 100% of investments in the portfolio to externally quoted prices; and · **Enquiry of Depositary:** Agreed 100% of investment holdings in the portfolio to independently received third party confirmations from the Depositary. **Our results:** We found the carrying amount of quoted investments to be acceptable (2019: acceptable).

Independent Auditor's Report to the Members of Standard Life UK Smaller Companies Trust plc Continued

3. Our Application of Materiality and an Overview of the Scope of our Audit

Materiality for the financial statements as a whole was set at £5.5 million (2019: £5.6 million) determined with reference to a benchmark of total assets, of which it represents 1% (2019: 1%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £275,000 (2019: £285,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above and was performed by a single audit team.

4. We Have Nothing to Report on Going Concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements (the "going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We evaluated those risks and concluded that they were not significant enough to require us to perform additional procedures.

Based on this work, we are required to report to you if:

- we have anything material to add or draw attention to in relation to the Directors' statement in note 1 (a) to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- the related statement under the Listing Rules set out on page 52 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

5. We Have Nothing to Report on the Other Information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic Report and Directors' Report

Based solely on our work on the other information:

- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' Remuneration Report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of Emerging and Principal Risks and Longer-Term Viability
Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within the Viability Statement on page 17 that they have carried out a robust assessment of the emerging and principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity;
- the principal risks and uncertainties disclosures describing these risks and explaining how they are being managed and mitigated; and
- the Directors' explanation in the Viability Statement of how they have assessed the prospects of the Company, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the Viability Statement. We have nothing to report in this respect.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Company's longer-term viability.

Corporate Governance Disclosures
We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy; or
- the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

6. We Have Nothing to Report on the Other Matters on Which we are Required to Report by Exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7. Respective Responsibilities

Directors' Responsibilities
As explained more fully in their statement set out on page 66, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Independent Auditor's Report to the Members of Standard Life UK Smaller Companies Trust plc Continued

A fuller description of our responsibilities is provided on the FRC's website at **www.frc.org.uk/auditorsresponsibilities.**

Irregularities - Ability to Detect
We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the Directors and Manager and the Administrator (as required by auditing standards), and discussed with the Directors, the Manager and the Administrator the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies' legislation), and its qualification as an investment trust under UK tax legislation, any breach of which could lead to the Company losing various deductions and exemptions from UK corporation tax, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: the Listing Rules and certain aspects of company legislation recognising the financial and regulated nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors, the Manager and the Administrator and management and inspection of regulatory and legal correspondence, if any. These limited procedures did not identify any actual or suspected non-compliance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

8. The Purpose of Our Audit Work and to Whom we Owe our Responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Philip Merchant (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
319 St Vincent Street
Glasgow G2 5AS
8 September 2020

Statement of Comprehensive Income

		Year ended 30 June 2020			Year ended 30 June 2019		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net losses on investments held at fair value	9	–	(6,556)	(6,556)	–	(7,037)	(7,037)
Realised foreign exchange gains		–	–	–	–	2	2
Income	2	8,744	–	8,744	10,002	–	10,002
Investment management fee	3	(985)	(2,953)	(3,938)	(891)	(2,673)	(3,564)
Other administrative expenses	4	(811)	–	(811)	(699)	–	(699)
Net return before finance costs and taxation		6,948	(9,509)	(2,561)	8,412	(9,708)	(1,296)
Finance costs	5	(201)	(604)	(805)	(184)	(552)	(736)
Return before taxation		6,747	(10,113)	(3,366)	8,228	(10,260)	(2,032)
Taxation	6	–	–	–	4	–	4
Return after taxation		**6,747**	**(10,113)**	**(3,366)**	**8,232**	**(10,260)**	**(2,028)**
Return per Ordinary share (pence)	8	**6.74**	**(10.10)**	**(3.36)**	**8.80**	**(10.97)**	**(2.17)**

The total column of this statement represents the profit and loss account of the Company. The 'Revenue' and 'Capital' columns represent supplementary information prepared under guidance issued by the Association of Investment Companies.

All revenue and capital items in the above statement derive from continuing operations.

The accompanying notes are an integral part of the Financial Statements.

Statement of Financial Position

	Notes	As at 30 June 2020 £'000	As at 30 June 2019 £'000
Non-current assets			
Investments held at fair value through profit or loss	9	527,040	550,909
Current assets			
Debtors	10	879	1,847
Investments in AAA-rated money market funds		26,465	15,911
Cash and short term deposits		49	668
		27,393	18,426
Current liabilities			
Creditors: amounts falling due within one year	11	(1,443)	(1,764)
Net current assets		25,950	16,662
Total assets less current liabilities		552,990	567,571
Creditors: amounts falling due after more than one year			
Bank loan	12	(24,914)	(24,877)
Net assets		**528,076**	**542,694**
Capital and reserves			
Called-up share capital	13	26,041	26,041
Share premium account		170,146	170,146
Special reserve		28,534	30,977
Capital reserve	14	294,551	304,664
Revenue reserve		8,804	10,866
Equity shareholders' funds		**528,076**	**542,694**
Net asset value per Ordinary share (pence)	15	**527.73**	**539.54**

The financial statements on pages 71 to 90 were approved by the Board of Directors on 8 September 2020 and were signed on its behalf by:

Liz Airey
Chairman

The accompanying notes are an integral part of the Financial Statements.

Statement of Changes in Equity

For the year ended 30 June 2020

	Share capital £'000	Share premium account £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 30 June 2019	26,041	170,146	30,977	304,664	10,866	542,694
Return after taxation	–	–	–	(10,113)	6,747	(3,366)
Buyback of Ordinary shares into Treasury (see note 13)	–	–	(2,443)	–	–	(2,443)
Dividends paid (see note 7)	–	–	–	–	(8,809)	(8,809)
Balance at 30 June 2020	**26,041**	**170,146**	**28,534**	**294,551**	**8,804**	**528,076**

For the year ended 30 June 2019

	Share capital £'000	Share premium account £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 30 June 2018	19,071	29,693	36,311	314,924	8,275	408,274
Return after taxation	–	–	–	(10,260)	8,232	(2,028)
Issue of Ordinary shares following merger with Dunedin Smaller Companies Investment Trust PLC (see note 22)	6,970	140,453	–	–	–	147,423
Buyback of Ordinary shares into Treasury (see note 13)	–	–	(5,334)	–	–	(5,334)
Dividends paid (see note 7)	–	–	–	–	(5,641)	(5,641)
Balance at 30 June 2019	**26,041**	**170,146**	**30,977**	**304,664**	**10,866**	**542,694**

The capital reserve at 30 June 2020 is split between realised of £139,823,000 and unrealised of £154,728,000 (30 June 2019 – realised £122,984,000 and unrealised £181,680,000).

The revenue reserve and realised element of the capital reserve represents the amount of the Company's retained reserves distributable by way of dividend.

The accompanying notes are an integral part of the financial statements.

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Statement of Cash Flows

	Year ended 30 June 2020 £'000	Year ended 30 June 2019 £'000
Operating activities		
Net return before taxation	(3,366)	(2,032)
Adjustment for:		
Losses on investments	6,556	7,037
Decrease/(increase) in accrued dividend income	880	(340)
Decrease/(increase) in accrued interest income	5	(8)
Foreign exchange gains	–	(2)
Finance costs	805	736
(Increase)/decrease in other debtors	(2)	3
Increase in other creditors	19	221
Overseas withholding tax received/(paid)	21	(10)
Net cash inflow from operating activities	4,918	5,605
Investing activities		
Purchases of investments	(84,429)	(79,496)
Sales of investments	101,466	89,594
Purchases of AAA-rated money market funds	(99,397)	(74,729)
Sales of AAA-rated money market funds	88,843	68,377
Net cash inflow from investing activities	6,483	3,746
Financing activities		
Bank and loan interest paid	(768)	(647)
Net cash acquired following merger	–	2,524
Repurchase of Ordinary shares	(2,443)	(5,334)
Drawdown of loan	20,000	–
Repayment of loan	(20,000)	–
Equity dividends paid	(8,809)	(5,641)
Net cash outflow from financing activities	(12,020)	(9,098)
(Decrease)/increase in cash	**(619)**	**253**
Analysis of changes in cash during the year		
Opening balance	668	415
(Decrease)/increase in cash as above	(619)	253
Closing balance	**49**	**668**

The accompanying notes are an integral part of the financial statements.

Notes to the Financial Statements

1. **Accounting policies**

a) **Basis of accounting and going concern**. The financial statements have been prepared in accordance with Financial Reporting Standard 102 and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued in October 2019. They have also been prepared on the assumption that approval as an investment trust will continue to be granted.

The Company's assets consist mainly of equity shares in companies listed on recognised stock exchanges and in most circumstances, including in the current market environment, are considered to be realisable within a short timescale. The Board has reviewed the results of stress testing prepared by the Manager in relation to the ability of the assets to be realised in the current market environment.

The Company does not have a fixed life and, under the Articles of Association, there is no requirement for a continuation vote.

The Company has a fixed term loan facility of £25 million in place until 31 October 2022 and a revolving loan facility of £20 million in place until 31 October 2022. The Board has set limits for borrowing and regularly reviews the Company's gearing levels and its compliance with bank covenants. A replacement option would be sought in advance of the expiry of the facility on 31 October 2022, or, should the Board decide not to renew this facility, any outstanding borrowing would be repaid through the proceeds of equity sales as required.

The Board has considered the impact of COVID-19 and believe that this will have a limited financial impact on the Company's operational resources and existence. The results of stress testing prepared by the Manager, which models a sharp decline in market levels and income, demonstrated that the Company had the ability to raise sufficient funds so as to remain within its debt covenants and pay expenses.

Taking the above factors into consideration, the Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of these financial statements. Accordingly, the Board continues to adopt the going concern basis in preparing the financial statements.

The accounting policies applied are unchanged from the prior year and have been applied consistently.

b) **Investments**. Investments have been designated upon initial recognition as fair value through profit or loss in accordance with IAS 39. As permitted by FRS 102, the Company has elected to apply the recognition and measurement provisions of IAS 39 Financial Instruments (as adopted for use in the EU). This is done because all investments are considered to form part of a group of financial assets which is evaluated on a fair value basis, in accordance with the Company's documented investment strategy, and information about the grouping is provided internally on that basis.

Investments are recognised and de-recognised at trade date where a purchase or sale is under a contract whose terms require delivery to be made within the timeframe established by the market concerned, and are measured initially at fair value. Subsequent to initial recognition, investments are valued at fair value. For listed investments, this is deemed to be bid market prices or closing prices for SETS stocks sourced from the London Stock Exchange. SETS is the London Stock Exchange electronic trading service covering most of the market including all the FTSE All-Share and the most liquid AIM constituents.

Gains and losses arising from changes in fair value are included in net profit or loss for the period as a capital item in the Statement of Comprehensive Income and are ultimately recognised in the capital reserve.

Notes to the Financial Statements Continued

c) **AAA-rated money market funds**. The AAA money market funds are used by the Company to provide additional short term liquidity. Due to their short term nature, they are recognised in the Financial Statements as a current asset and are included at fair value through profit and loss.

d) **Income**. Income from equity investments (other than special dividends), including taxes deducted at source, is included in revenue by reference to the date on which the investment is quoted ex-dividend. Special dividends are credited to revenue or capital in the Statement of Comprehensive Income, according to the circumstances of the underlying payment. Foreign income is converted at the exchange rate applicable at the time of receipt. Interest receivable on short-term deposits and money market funds is accounted for on an accruals basis.

e) **Expenses and interest payable**. Expenses are accounted for on an accruals basis. Expenses are charged to the capital column of the Statement of Comprehensive Income when they are incurred in connection with the maintenance or enhancement of the value of investments. In this respect, the investment management fee and relevant finance costs are allocated 25% to revenue and 75% to the capital columns of the Statement of Comprehensive Income in line with the Board's expectation of returns from the Company's investments over the long term in the form of revenue and capital respectively (see notes 3 and 5).

   Transaction costs incurred on the purchase and disposal of investments are recognised as a capital item in the Statement of Comprehensive Income.

f) **Dividends payable**. Dividends are recognised in the period in which they are paid.

g) **Nature and purpose of reserves**

   Called-up share capital. The Ordinary share capital on the Statement of Financial Position relates to the number of shares in issue and in treasury. Only when the shares are cancelled, either from treasury or directly, is a transfer made to the capital redemption reserve. This reserve is not distributable.

   Share premium account. The balance classified as share premium includes the premium above nominal value from the proceeds on issue of any equity share capital comprising Ordinary shares of 25p. This reserve is not distributable.

   Special reserve. The special reserve arose following court approval for the cancellation of the share premium account balance at 24 June 1999 and on 13 October 2009, Court of Session approval was granted for the cancellation of the Company's entire share premium account and capital redemption reserve and subsequent creation of a special distributable capital reserve. The special reserve is used to fund share purchases of its own Ordinary shares by the Company.

   Capital reserve. Gains or losses on disposal of investments and changes in fair values of investments are transferred to the capital reserve. The capital element of the management fee and relevant finance costs are charged to this reserve. Any associated tax relief is also credited to this reserve. The part of this reserve represented by realised capital gains is available for distribution by way of dividend.

   Revenue reserve. Income and expenses which are recognised in the revenue column of the Statement of Comprehensive Income are transferred to the revenue reserve. The revenue reserve is available for distribution by way of dividend.

h) **Taxation**. Tax expense represents the sum of tax currently payable and deferred tax. Any tax payable is based on taxable profit for the period. Taxable profit differs from profit before tax as reported in the Statement of Comprehensive Income because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the year end date.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the year end date where transactions or events that result in an obligation to pay more or a right to pay less tax in future have occurred at the year end date measured on an undiscounted basis and based on enacted tax rates. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences arising between the Company's taxable profits and its results as stated in the Financial Statements which are capable of reversal in one or more subsequent periods.

Owing to the Company's status as an investment trust company, and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

i) **Foreign currency**. Non-monetary assets and liabilities denominated in foreign currency carried at fair value through profit or loss are converted into Sterling at the rate of exchange ruling at the year end date. Transactions during the year involving foreign currencies are converted at the rate of exchange ruling at the transaction date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the Statement of Comprehensive Income.

j) **Judgements and key sources of estimation uncertainty**. Disclosure is required of judgements and estimates made by management in applying the accounting policies that have a significant effect on the Financial Statements. There are no significant estimates or judgements which impact these Financial Statements.

k) **Cash and cash equivalents**. Cash comprises bank balances and cash held by the Company. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

l) **Bank borrowing**. Interest bearing bank loans and overdrafts are recorded initially at fair value, being the proceeds received, net of direct issue costs. They are subsequently measured at amortised cost. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the Statement of Comprehensive Income using the straight line method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

m) **Treasury shares**. When the Company purchases its Ordinary shares to be held in treasury, the amount of the consideration paid, which includes directly attributable costs, is net of any tax effect, and is recognised as a deduction from the special reserve. When these shares are sold subsequently, the amount received is recognised as an increase in equity, and any resulting surplus on the transaction is transferred to the share premium account and any resulting deficit is transferred from the capital reserve.

n) **Merger with Dunedin Smaller Companies Investment Trust PLC ("Dunedin") – Basis of accounting**. On 8 October 2018, the Company acquired all the assets and liabilities of Dunedin in exchange for shares in the Company. The transaction was accounted for using the purchase method as required by FRS 102 and further details are set out in note 22. The income and costs for the period to 7 October 2018 reflect the activities of the Company before the acquisition and after that date reflect those of the enlarged Company.

Notes to the Financial Statements Continued

2. Income

	2020 £'000	2019 £'000
Income from investments		
UK dividend income	6,675	7,672
Property income distributions	1,143	841
Overseas dividend income	466	818
Special dividends	288	472
	8,572	9,803
Other income		
Interest from AAA-rated money market funds	172	199
Total income	**8,744**	**10,002**

3. Investment management fee

			2020			2019
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	985	2,953	3,938	891	2,673	3,564

The balance due to Aberdeen Standard Fund Managers Limited ("ASFML") at the year end was £983,000 (2019 – £1,007,000). For further details see note 20.

4. Administrative expenses (inclusive of VAT)

	2020 £'000	2019 £'000
Secretarial fees[A]	180	180
Promotional activities[A]	120	28
Directors' fees	150	133
Auditor's remuneration:		
– fees payable to the Company's Independent Auditor for the audit of the annual accounts (excluding VAT)	26	22
– VAT on audit fees	5	4
Registrar's fees	26	30
Professional fees	46	60
Custody fees	25	23
Depositary fees	101	91
Other expenses	132	128
	811	**699**

[A] The Company has an agreement with ASFML for the provision of secretarial services and promotional activities. Secretarial fees payable during the year, inclusive of VAT, were £180,000 (2019 – £180,000) and the amount due to ASFML at the year end was £90,000 (2019 – £45,000). Costs relating to promotional activities during the year, inclusive of VAT, were £120,000 (2019 – £28,000) and the amount due to ASFML at the year end was £42,000 (2019 – £72,000). The Company joined the Manager's promotional activities programme in January 2019.

5. Finance costs

	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000
Bank loan interest	171	514	685	147	442	589
Non-utilisation fees	21	62	83	28	82	110
Amortisation of loan arrangement expenses	9	28	37	9	28	37
	201	**604**	**805**	**184**	**552**	**736**

6. Taxation

(a) Analysis of charge for year

	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000
Overseas taxation	–	–	–	(4)	–	(4)

(b) **Provision for deferred taxation.** At 30 June 2020, the Company had unutilised management expenses and loan relationship losses of £64,228,000 (2019 – £60,033,000). A deferred tax asset has not been recognised on the unutilised management expenses and loan relationship losses as it is unlikely there will be suitable future taxable profits against which these tax losses could be deducted.

(c) **Factors affecting current tax charge for the year**. The UK corporation tax rate is 19% (2019 – same). The tax charge for the year is lower (2019 – lower) than the standard rate of corporation tax in the UK of 19% (2019 – 19%). The differences are explained in the following table.

	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000
Net return before taxation	6,747	(10,113)	(3,366)	8,228	(10,260)	(2,032)
Corporation tax at a rate of 19% (2019 – 19%)	1,282	(1,922)	(640)	1,563	(1,949)	(386)
Effects of:						
Non-taxable UK dividend income	(1,323)	–	(1,323)	(1,547)	–	(1,547)
Non-taxable overseas dividend income	(89)	–	(89)	(155)	–	(155)
Currency losses not taxable	–	–	–	–	(1)	(1)
Excess management expenses and loan relationship losses	130	676	806	139	613	752
Non-taxable gains on investments	–	1,246	1,246	–	1,337	1,337
Irrecoverable overseas withholding tax	–	–	–	(4)	–	(4)
Total tax charge	–	–	–	**(4)**	–	**(4)**

Notes to the Financial Statements Continued

7. Dividends

	2020 £'000	2019 £'000
Amounts recognised as distributions to equity holders in the period:		
2019 final dividend of 6.10p per share (2018 – 5.50p) paid on 31 October 2019	6,106	4,032
2020 interim dividend of 2.70p per share (2019 – 1.60p) paid on 10 April 2020	2,703	1,609
	8,809	**5,641**

The proposed 2020 final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these Financial Statements.

Set out below are the total dividends paid and proposed in respect of the financial year, which is the basis on which the requirements of Section 1158–1159 of the Corporation Taxes Act 2010 are considered. The revenue available for distribution by way of dividend for the year is £6,747,000 (2019 – £8,232,000).

	2020 £'000	2019 £'000
Interim dividend 2020 of 2.70p per share (2019 – 1.60p) paid on 10 April 2020	2,703	1,609
Proposed final dividend 2020 of 5.00p per share (2019 – 6.10p) payable on 30 October 2020	5,002	6,117
	7,705	**7,726**

The amount payable for the proposed final dividend is based on the Ordinary shares in issue as the date of approval of this Report, 8 September 2020, which satisfies the requirement of Section 1159 of the Corporation Tax Act 2010.

8. Return per Ordinary share

	2020		2019	
	p	£000	p	£000
Basic				
Revenue return	6.74	6,747	8.80	8,232
Capital return	(10.10)	(10,113)	(10.97)	(10,260)
Total return	**(3.36)**	**(3,366)**	**(2.17)**	**(2,028)**
Weighted average number of Ordinary shares in issue		**100,172,276**		**93,561,542**

9. Investments held at fair value through profit or loss

	2020 £'000	2019 £'000
Opening book cost	369,229	217,812
Opening investment holdings gains	181,680	206,382
Opening fair value	550,909	424,194
Transfer of investments from Dunedin at market value	–	144,899
Additions at cost	84,089	78,773
Disposals – proceeds	(101,402)	(89,920)
Losses on investments	(6,556)	(7,037)
Closing fair value	**527,040**	**550,909**

	2020 £'000	2019 £'000
Closing book cost	372,312	369,229
Closing investment holding gains	154,728	181,680
Closing fair value	**527,040**	**550,909**

All investments are in equity shares listed on the London Stock Exchange.

The Company received £101,402,000 (2019 – £89,920,000) from investments sold in the period. The book cost of these investments when they were purchased was £81,006,000 (2019 – £72,255,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

Transaction costs. During the year, expenses were incurred in acquiring or disposing of investments classified as fair value through profit or loss. These have been expensed through capital and are included within losses on investments in the Statement of Comprehensive Income. The total costs were as follows:

	2020 £'000	2019 £'000
Purchases	297	368
Sales	68	66
	365	**434**

10. Debtors

	2020 £'000	2019 £'000
Amounts due from brokers	262	326
Dividends receivable	593	1,473
Tax recoverable	–	21
Other debtors	24	27
	879	**1,847**

Notes to the Financial Statements Continued

11. Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Amounts payable to brokers	92	432
Interest payable	98	98
Investment management fee payable	983	1,007
Sundry creditors	270	227
	1,443	**1,764**

12. Creditors: amounts falling due after more than one year

	2020 £'000	2019 £'000
Bank loan	25,000	25,000
Unamortised loan arrangement expenses	(86)	(123)
	24,914	**24,877**

On 1 November 2017 the Company entered into a £45 million unsecured loan facility agreement arranged with The Royal Bank of Scotland International Limited. The facilities consist of a five year fixed-rate term loan facility of £25,000,000 (the "Term Loan") and a five year revolving credit facility of £20,000,000 (the "RCF"). The Term Loan has a maturity date of 31 October 2022.

The Company had drawn down £25 million of the Term Loan at the year end, at an interest rate of 2.349% (2019: same). The RCF was undrawn at the year end and at the end of the previous year.

The terms of the unsecured loan facility agreement contain covenants that the minimum net asset must not be less than £140 million, the percentage of borrowings against the nets assets shall not exceed 30%, and the portfolio contains a minimum of thirty eligible investments (investments made in accordance with the Company's investment policy). The Company complied with all covenants throughout the year.

The fair value of the Term Loan as at 30 June 2020 was £26,390,000 (2019 – £26,404,000), the value being calculated per the disclosure in note 19.

13. Called-up share capital

	2020		2019	
	Number	£'000	Number	£'000
Authorised	150,000,000	37,500	150,000,000	37,500
Issued and fully paid:				
Ordinary shares of 25p each	100,065,198	25,016	100,585,411	25,146
Held in treasury:	4,099,224	1,025	3,579,011	895
	104,164,422	**26,041**	**104,164,422**	**26,041**

	Ordinary shares Number	Treasury shares Number	Total Number
Opening balance	100,585,411	3,579,011	104,164,422
Share buybacks	(520,213)	520,213	–
Closing balance	**100,065,198**	**4,099,224**	**104,164,422**

During the year the Company repurchased 520,213 (2019 – 1,131,061) Ordinary shares to treasury at a cost of £2,443,000 (2019 – £5,334,000). Subsequent to the year end, a further 20,355 Ordinary shares were repurchased to treasury at a cost of £110,000.

14. Capital reserve

	2020 £'000	2019 £'000
Opening balance	304,664	314,924
Unrealised losses on investment holdings	(26,952)	(24,702)
Gains on realisation of investments at fair value	20,396	17,665
Currency gains	–	2
Management fee charged to capital	(2,953)	(2,673)
Finance costs charged to capital	(604)	(552)
Closing balance	**294,551**	**304,664**

The capital reserve includes investment holding gains amounting to £154,728,000 (2019 – gains of £181,680,000) as disclosed in note 9.

No currency gains arose during the year (2019 – £2,000 on cash deposits).

15. Net asset value per share. Total shareholders' funds have been calculated in accordance with the provisions of applicable accounting standards. The analysis of total shareholders' funds on the face of the Statement of Financial Position reflects the rights, under the Articles of Association, of the Ordinary shareholders on a return of assets.

	2020	2019
Net assets attributable (£'000)	**528,076**	**542,694**
Number of Ordinary shares in issue at year end[A]	**100,065,198**	**100,585,411**
Net asset value per share	**527.73p**	**539.54p**

[A] Excluding shares held in treasury.

Notes to the Financial Statements Continued

16. **Financial instruments.** The Company's financial instruments comprise securities and other investments, cash balances, loans and debtors and creditors that arise directly from its operations; for example, in respect of sales and purchases awaiting settlement, and debtors for accrued income. The Company also has the ability to enter into derivative transactions for the purpose of managing currency and market risks arising from the Company's activities. No such transactions took place during the year

The main risks the Company faces from its financial instruments are i) market price risk (comprising interest rate risk, currency risk and other price risk), ii) liquidity risk and iii) credit risk. There was no material currency risk to the Company for the period.

The Board regularly reviews and agrees policies for managing each of these risks. The Manager's policies for managing these risks are summarised below and have been applied throughout the year.

i) **Market price risk.** The fair value or future cash flows of a financial instrument held by the Company may fluctuate because of changes in market prices. This market risk comprises three elements – interest rate risk, currency risk and other price risk.

Interest rate risk

Interest rate movements may affect:

– the level of income receivable on cash deposits and money market funds;

– interest payable on the Company's variable rate borrowings.

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment and borrowing decisions.

It is the Company's policy to increase its exposure to equity market price risk through the judicious use of borrowings. When borrowed funds are invested in equities, the effect is to magnify the impact on Shareholders' funds of changes – both positive and negative – in the value of the portfolio.

As at 30 June 2020, the Company had drawn down £25 million (2019 – £25 million) of the £45 million (2019 – £45 million) unsecured loan facility agreement arranged with The Royal Bank of Scotland International Limited. The facilities consist of a five year fixed-rate term loan facility of £25 million and a five year revolving credit facility of £20 million.

Interest risk profile. The interest rate risk profile of the portfolio of financial assets and liabilities at the year end date was as follows:

As at 30 June 2020	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Fixed rate £'000	Floating rate £'000
Assets				
AAA-rated money market funds	–	0.34	–	26,465
Cash deposits	–	–	–	49
Total assets	**–**	**–**	**–**	**26,514**
Liabilities				
Bank loan	2.33	2.35	25,000	–
Total liabilities	**–**	**–**	**25,000**	**–**

As at 30 June 2019	Weighted average period for which rate is fixed Years	Weighted average interest rate %	Fixed rate £'000	Floating rate £'000
Assets				
AAA-rated money market funds	–	0.85	–	15,911
Cash deposits	–	–	–	668
Total assets	**–**	**–**	**–**	**16,579**
Liabilities				
Bank loan	3.33	2.35	25,000	–
Total liabilities	**–**	**–**	**25,000**	**–**

The weighted average interest rate is based on the current yield of each asset, weighted by its market value.

The floating rate assets consist of AAA-rated money market funds and cash deposits on call earning interest at prevailing market rates.

All financial liabilities are measured at amortised cost.

Interest rate sensitivity. The sensitivity analyses below have been determined based on the exposure to interest rates at the year end date and with the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates.

If interest rates had been 100 basis points higher or lower and all other variables were held constant, the Company's profit for the year ended 30 June 2020 and net assets would increase/decrease by £265,000 (2019 – increase/decrease by £166,000). This is mainly attributable to the Company's exposure to interest rates on its floating rate cash balances and money market funds.

Other price risk. Other price risks (ie changes in market prices other than those arising from interest rate or currency risk) may affect the value of the quoted investments.

It is the Board's policy to hold an appropriate spread of investments in the portfolio in order to reduce the risk arising from factors specific to a particular sector. The allocation of assets and the stock selection process, as detailed on pages 30 and 31, both act to reduce market risk. The Manager actively monitors market prices throughout the year and reports to the Board, which meets regularly in order to review investment strategy. The investments held by the Company are mainly listed on the London Stock Exchange.

Other price risk sensitivity. If market prices at the year end date had been 10% higher or lower while all other variables remained constant, the return attributable to Ordinary shareholders for the year ended 30 June 2020 would have increased/decreased by £52,704,000 (2019 – increase/decrease of £55,091,000). This is based on the Company's equity portfolio held at each year end.

Notes to the Financial Statements Continued

ii) **Liquidity risk.** This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

Liquidity risk is not considered to be significant as the Company's assets comprise mainly readily realisable securities and AAA-rated money market funds, which can be sold to meet funding commitments if necessary. The maturity of the Company's existing borrowings is set out in the credit risk profile section of this note.

As at 30 June 2020	Expected cash flows £'000	Due within 3 months £'000	Due between 3 months and 1 year £'000	Due after 1 year £'000
Bank loan	26,370	148	439	25,783

As at 30 June 2019	Expected cash flows £'000	Due within 3 months £'000	Due between 3 months and 1 year £'000	Due after 1 year £'000
Bank loan	26,957	148	439	26,370

iii) **Credit risk.** This is failure of the counter party to a transaction to discharge its obligations under that transaction that could result in the Company suffering a loss.

The risk is not significant, and is managed as follows:

– investment transactions are carried out with a number of brokers, whose credit-standing is reviewed periodically by the investment manager, and limits are set on the amount that may be due from any one broker;

– the risk of counterparty exposure due to failed trades causing a loss to the Company is mitigated by the review of failed trade reports on a monthly basis. In addition, both stock and cash reconciliations to the Custodians' records are performed on a daily basis to ensure discrepancies are investigated on a timely basis.

– cash is held only with reputable banks with high quality external credit enhancements.

None of the Company's financial assets are secured by collateral or other credit enhancements.

Credit risk exposure. In summary, compared to the amounts in the Statement of Financial Position, the maximum exposure to credit risk at 30 June was as follows:

		2020		2019
Current assets	Statement of Financial Position £'000	Maximum exposure £'000	Statement of Financial Position £'000	Maximum exposure £'000
Debtors	262	262	1,847	1,847
AAA-rated money markets funds	26,465	26,465	15,911	15,911
Cash and short term deposits	49	49	668	668
	26,776	**26,776**	**18,426**	**18,426**

None of the Company's financial assets is past due or impaired.

17. Analysis of changes in net debt

	At 30 June 2019 £'000	Cash flows £'000	Non-cash movements £'000	At 30 June 2020 £'000
Cash and cash equivalents	668	(619)	–	49
Investments in AAA-rated money market funds	15,911	10,554	–	26,465
Debt due after more than one year	(24,877)	–	(37)	(24,914)
	(8,298)	**9,935**	**(37)**	**1,600**

	At 30 June 2018 £'000	Cash flows £'000	Non-cash movements £'000	At 30 June 2019 £'000
Cash and cash equivalents	415	253	–	668
Investments in AAA-rated money market funds	9,559	6,352	–	15,911
Debt due after more than one year	(24,790)	–	(87)	(24,877)
	(14,816)	**6,605**	**(87)**	**(8,298)**

A statement reconciling the movement in net funds to the net cash flow has not been presented as there are no differences from the above analysis.

Notes to the Financial Statements Continued

18. **Capital management.** The investment objective of the Company is to achieve long term capital growth by investment in UK quoted smaller companies.

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to Shareholders through the optimisation of the debt and equity balance.

The Company's capital comprises the following:

	2020 £'000	2019 £'000
Equity		
Equity share capital	26,041	26,041
Reserves	502,035	516,653
Liabilities		
Bank loan	24,914	24,877
	552,990	**567,571**

The Company's net gearing comprises the following:

	2020 £'000	2019 £'000
Bank loan	(24,914)	(24,877)
Cash and AAA-rated money market funds	26,514	16,579
Amounts due from brokers	262	326
Amounts payable to brokers	(92)	(432)
Net funds/(debt)	**1,770**	**(8,404)**
Net assets	**528,076**	**542,694**
Net cash/(gearing) (%)	**0.3**	**(1.5)**

The Board monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes:

– the planned level of gearing which takes account of the Investment Manager's views on the market;
– the level of equity shares;
– the extent to which revenue in excess of that which is required to be distributed should be retained.

The Company's objectives, policies and processes for managing capital are unchanged from the preceding accounting period.

The Company does not have any externally imposed capital requirements.

19. Fair value hierarchy. FRS 102 requires an entity to classify fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following classifications:

Level 1: unadjusted quoted prices in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable (ie developed using market data) for the asset or liability, either directly or indirectly.

Level 3: inputs are unobservable (ie for which market data is unavailable) for the asset or liability.

All of the Company's investments are in quoted equities (2019 – same) that are actively traded on recognised stock exchanges, with their fair value being determined by reference to their quoted bid prices at the reporting date. The total value of the investments (2020 – £527,040,000; 2019 – £550,909,000) have therefore been deemed as Level 1.

The investment in AAA rated money market funds of £26,465,000 (2019 – £15,911,000) is considered to be Level 2 under the fair value hierarchy of FRS 102 due to not trading in an active market.

The fair value of borrowings as at the 30 June 2020 has been estimated at £26,390,000 (2019 – £26,404,000) with a par value per Statement of Financial Position of £24,914,000 (2019 – £24,877,000) using the interest rate swap valuation technique. Under the fair value hierarchy in accordance with FRS 102, these borrowings can be classified at Level 2.

20. Transactions with the Manager. The Company has an agreement with Aberdeen Standard Fund Managers Limited for the provision of management services. The management fee is calculated at 0.85% per annum on the first £250 million of net assets, 0.65% on net assets between £250 million and £550 million and 0.55% on net assets above £550 million. The contract is terminable by either party on six months notice.

The Manager also receives a separate fee for the provision of secretarial services and promotional activities as disclosed in note 4. Company Secretarial and administrative services were provided by Maven Capital Partners UK LLP under a separate agreement with the Manager up to 6 September 2019 when the agreement between Aberdeen Standard Fund Managers Limited ("ASFML") and Maven Capital Partners UK LLP ("Maven") for the provision of these services was terminated and these services have since been provided by Aberdeen Asset Management PLC ("AAM") under a delegation agreement between ASFML and AAM.

21. Related party transactions. The Directors of the Company received fees for their services. Further details are provided in the Directors' Remuneration Report on pages 56 to 58. The Directors' shareholdings are detailed on page 58.

Aberdeen Standard Fund Managers Limited received fees for its services as Manager and Company Secretary. Further details are provided in notes 3, 4 and 20.

22. Merger with Dunedin Smaller Companies Investment Trust PLC ("Dunedin"). On 8 October 2018, the Company announced that, in connection with the reconstruction of Dunedin, the Company acquired approximately £147.4 million of net assets from Dunedin under the terms of the reconstruction in consideration for the issue of 27,878,842 new Ordinary shares, based on the respective formula asset values.

Net assets acquired	**£'000**
Investments	144,899
Current assets: debtors and bank	3,823
Current liabilities	(1,299)
Net assets	**147,423**
Satisfied by new Ordinary shares issued	**147,423**

Notes to the Financial Statements Continued

There were no fair value adjustments made to the above figures.

Included in the Statement of Comprehensive Income for the year ended 30 June 2019 are income of £4,344,000 and profit after tax of £3,286,000 attributable to Dunedin following the merger. These amounts are estimated and derived from an apportionment of the post-merger return, based on the ratio applied at the time of the merger.

Alternative Performance Measures

Alternative performance measures ("APMs") are numerical measures of the Company's current, historical or future performance, financial position or cash flows, other than financial measures defined or specified in the applicable financial framework. The Company's applicable financial framework includes FRS 102 and the AIC SORP.

The Directors assess the Company's performance against a range of criteria which are viewed as particularly relevant for closed-end investment companies. Where the calculation of an APM is not detailed within the financial statements, an explanation of the methodology employed is provided below:

Discount. A discount is the percentage by which the market price is lower than the Net Asset Value ("NAV") per share.

	30 June 2020	30 June 2019
Share price	482.00p	491.50p
Net Asset Value per share	527.73p	539.54p
Discount	8.7%	8.9%

Net cash/(gearing). Net cash/(gearing) measures the total borrowings less cash and cash equivalents divided by shareholders' funds, expressed as a percentage. Under AIC reporting guidance cash and cash equivalents includes amounts due from and to brokers at the period end as well as cash and short-term deposits.

	30 June 2020 £'000	30 June 2019 £'000
Total borrowings [A]	(24,914)	(24,877)
Cash and short term deposits	49	668
Investments in AAA-rated money market funds	26,465	15,911
Amounts due from brokers	262	326
Amounts payable to brokers	(92)	(432)
Total cash and cash equivalents[B]	26,684	16,473
Net cash/(gearing) (borrowings less cash & cash equivalents)[A-B]	1,770	(8,404)
Shareholders' funds	528,076	542,694
Net cash/(gearing)	0.3%	–1.5%

Ongoing charges ratio. The ongoing charges ratio has been calculated in accordance with guidance issued by the AIC, which is defined as the total of investment management fees and recurring administrative expenses and expressed as a percentage of the average of daily net asset values throughout the year.

	30 June 2020 £'000	30 June 2019 £'000
Investment management fee	3,938	3,564
Administrative expenses	811	699
Less: non-recurring charges[C]	(8)	–
Ongoing charges	4,741	4,263
Average daily net assets	539,070	475,484
Ongoing charges ratio	0.88%	0.90%

[C] Comprises professional fees not expected to recur.

Alternative Performance Measures Continued

The ongoing charges ratio differs from the other ongoing costs figure reported in the Company's Key Information Document calculated in line with the PRIIPs regulations, which includes the ongoing charges ratio and the financing and transaction costs.

Total return. NAV and share price total returns show how the NAV and share price have performed over a period of time in percentage terms, taking into account both capital returns and dividends paid to shareholders. NAV total return involves reinvesting the net dividend paid by the Company back into the NAV of the Company with debt at fair value on the date on which that dividend goes ex-dividend. Share price total return involves reinvesting the net dividend back into the share price of the Company on the date on which that dividend goes ex-dividend.

NAV total return **Year ended 30 June 2020**	**2020**	**2019**
Opening NAV (p)	539.54p	552.93p
Closing NAV (p)	527.73p	539.54p
Decrease in NAV (p)	–11.81	–13.39
% decrease in NAV	–2.2%	–2.4%
Uplift from reinvestment of dividends[A]	1.7%	1.3%
NAV total return decrease	–0.5%	–1.1%

[A] The uplift from reinvestment of dividends assumes that the dividends of 6.1p in October 2019 and 2.7p in April 2020 (5.5p and 1.6p in 2018/19) paid by the Company were reinvested in the NAV of the Company on the ex-dividend date.

Share price total return **Year ended 30 June 2020**	**2020**	**2019**
Opening share price (p)	491.50p	500.00p
Closing share price (p)	482.00p	491.50p
Decrease in share price (p)	–9.50	–8.50
% decrease in share price	–1.9%	–1.7%
Uplift from reinvestment of dividends[A]	1.8%	1.4%
Share price total return decrease	–0.1%	–0.3%

[A] The uplift from reinvestment of dividends assumes that the dividends of 6.1p in October 2019 and 2.7p in April 2020 (5.5p and 1.6p in 2018/19) paid by the Company were reinvested in the shares of the Company on the ex-dividend date.

Corporate Information

The Company was incorporated in 1993 and has been managed by Aberdeen Standard Investments since August 2003.

Information about the Investment Manager

Standard Life Investments Limited

The Company's Investment Manager is Standard Life Investments Limited which is a wholly-owned subsidiary of Standard Life Aberdeen plc. The group's assets under management and administration were £511.8 billion as at 30 June 2020, managed for a range of clients including 23 UK-listed closed end investment companies.

Aberdeen Standard Investments ("ASI") is the brand of Standard Life Aberdeen plc.

The Investment Team Senior Managers

Harry Nimmo
Investment Leader,
Smaller Companies

Harry Nimmo is "Investment Leader and Custodian of the Investment Process" within the Smaller Companies Team at ASI. In addition to Standard Life UK Smaller Companies Trust plc, Harry is responsible for the ASI (AAM) UK Smaller Companies Fund and is co-manager in the Global Mid-Cap Team.

Harry spent the early years of his career as a Land Surveyor working both in the UK and in Saudi Arabia. He joined Standard Life in 1985 and has held various investment analyst and manager roles covering US equity funds and larger UK quoted company funds. In February 2020 he stepped down from being Head of the Smaller Companies Team after 27 years in that role. Harry was responsible for the launch of the UK Smaller Companies Fund in 1997 and the Global Smaller Companies Fund in 2012.

Harry has won a number of awards in recognition of his achievements within small/mid-caps and beyond. In 2012, he won the Morningstar OBSR "Outstanding Investor" Award for "Exceptional returns over at least 10 years with consideration to loyalty, tenure, consistency of approach, risk adjusted returns and assets under management".

Harry has an MA (Hons) degree in Geography from the University of Dundee, an MBA from the University of Edinburgh, and a Diploma in Surveying from the University of Glasgow.

Abby Glennie
Deputy Head,
Smaller Companies

Abby Glennie is Deputy Head of the Smaller Companies Team at ASI having been appointed to this role in March 2020. She is responsible for the management of the UK Mid-Cap Fund, the UK Opportunities Fund, Aberdeen Smaller Companies Income Trust PLC, and a number of other UK Smaller Companies funds.

Abby joined ASI in February 2013 as a member of the UK Equity Team, before transferring to the Smaller Companies Team in January 2016. Prior to this she worked at Kames Capital (previously Aegon Asset Management) as a Graduate Trainee Investment Manager.

Abby has an MA (First Class Hons) degree in Economics and Finance from the University of Aberdeen and is a CFA.

Amanda Yeaman
Investment Manager,
Smaller Companies

Amanda Yeaman is an Investment Manager providing research support, predominantly for the UK Smaller Companies strategy within ASI, but also to the wider Smaller Companies Team.

Amanda started her career in investment management at Martin Currie as an investment analyst. Having spent three years on the buy side, she then moved to the sell side, and has spent 11 years specialising in smaller companies. Having worked at Seymour Pierce and Cantor Fitzgerald, Amanda then spent six years at Investec before joining ASI in 2019.

Amanda has an MA (Hons) degree in Economics and Accountancy from the University of Edinburgh and is an IMC.

Investor Information

Alternative Investment Fund Managers Directive ("AIFMD") and Pre-Investment Disclosure Document ("PIDD")

The Company has appointed Aberdeen Standard Fund Managers Limited as its Alternative Investment Fund Manager and BNP Paribas Securities Services, London Branch as its Depositary under the AIFMD.

The AIFMD requires Aberdeen Standard Fund Managers Limited, as the Company's AIFM, to make available to investors certain information prior to such investors' investment in the Company. Details of the leverage and risk policies which the Company is required to have in place under the AIFMD are published in the Company's PIDD which can be found on its website: **standardlifeuksmallercompaniestrust.co.uk.** The periodic disclosures required to be made by the AIFM under the AIFMD are set out on page 103.

Investor Warning: Be alert to share fraud and boiler room scams

Aberdeen Standard Investments has been contacted by investors informing us that they have received telephone calls and emails from people who have offered to buy their investment company shares, purporting to work for Aberdeen Standard Investments or for third party firms. Aberdeen Standard Investments has also been notified of emails claiming that certain investment companies under our management have issued claims in the courts against individuals. These may be scams which attempt to gain your personal information with which to commit identity fraud or could be 'boiler room' scams where a payment from you is required to release the supposed payment for your shares. These callers/senders do not work for Aberdeen Standard Investments and any third party making such offers/claims has no link with Aberdeen Standard Investments.

Aberdeen Standard Investments does not 'cold-call' investors in this way. If you have any doubt over the veracity of a caller, do not offer any personal information, end the call and contact our Customer Services Department.

The Financial Conduct Authority provides advice with respect to share fraud and boiler room scams at: **fca.org.uk/consumers/scams**

Shareholder Enquiries

For queries regarding shareholdings, lost certificates, dividend payments, registered details and related matters, shareholders holding their shares directly in the Company are advised to contact the Registrars (see Contact Addresses). Changes of address must be notified to the Registrars in writing.

If you have any general questions about your Company, the Manager or performance, please telephone the Aberdeen Standard Investments Customer Services Department, send an email to **company.secretary@aberdeenstandard.com** or write to:

Aberdeen Standard Investment Trusts
PO Box 11020
Chelmsford
Essex CM99 2DB

Dividend Tax Allowance

The annual tax-free personal allowance for dividend income for UK investors is £2,000 for the 2020/21 tax year. Above this amount, individuals pay tax on their dividend income at a rate dependent on their income tax bracket and personal circumstances. The Company provides registered shareholders with a confirmation of dividends paid and this should be included with any other dividend income received when calculating and reporting to HMRC total dividend income received. It is the shareholder's responsibility to include all dividend income when calculating any tax liability.

How to Invest

Investors can buy and sell shares in the Company directly through a stockbroker or indirectly through a lawyer, accountant or other professional adviser. Alternatively, for retail clients, shares can be bought directly through the Aberdeen Standard Investments Children's Plan, Investment Trust Share Plan or Investment Trust Individual Savings Account ("ISA"), or through the many broker platforms which offer the opportunity to acquire shares in investment companies.

Aberdeen Standard Investments Children's Plan

Aberdeen Standard Investments operates an Investment Plan for Children (the "Children's Plan") which covers a number of investment companies under its management, including the Company. Anyone can invest in the Children's Plan (subject to the eligibility criteria as stated within the terms and conditions), including parents, grandparents and family friends. All investments are free of dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £150 per trust, while regular savers may invest from £30 per month. Investors only pay Government Stamp Duty (currently 0.5%) on entry where applicable. Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in the Children's Plan, and regular savers can stop or suspend participation by instructing Aberdeen Standard Investments in writing at any time.

Investor Information Continued

Aberdeen Standard Investments Share Plan

Aberdeen Standard Investments operates an Investment Trust Share Plan (the "Plan") through which shares in the Company can be purchased. There are no dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £250, while regular savers may invest from £100 per month. Investors only pay Government Stamp Duty (currently 0.5%) on entry where applicable. Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in a Plan, and regular savers can stop or suspend participation by instructing Aberdeen Standard Investments in writing at any time.

Aberdeen Standard Investments ISA

Aberdeen Standard Investments operates an Investment Trust ISA ("ISA") through which an investment may be made of up to £20,000 in the 2020/21 tax year.

There are no brokerage or initial charges for the ISA, although investors will suffer the bid-offer spread, which can be a significant amount. Investors only pay Government Stamp Duty (currently 0.5%) on purchases where applicable. Selling costs are £15 + VAT. The annual ISA administration charge is £24 + VAT, calculated annually and applied on 31 March (or the last business day in March) and collected soon thereafter either by direct debit or, if there is no valid direct debit mandate in place, from the available cash in the ISA prior to the distribution or reinvestment of any income, or, where there is insufficient cash in the ISA, from the sale of investments held in the ISA. Under current legislation, investments in ISAs can grow free of capital gains tax.

ISA Transfer

Investors can choose to transfer previous tax year investments to Aberdeen Standard Investments, which can be invested in the Company while retaining their ISA wrapper. The minimum lump sum for an ISA transfer is £1,000 and is subject to a minimum per trust of £250.

Nominee Accounts and Voting Rights

All investments in the Aberdeen Standard Investments Children's Plan, Investment Trust Share Plan and Investment Trust ISA are held in nominee accounts and investors are provided with the equivalent of full voting and other rights of share ownership.

Keeping You Informed

Further information about the Company may be found on its dedicated website: **standardlifeuksmallercompaniestrust.co.uk**.

This provides access to information on the Company's share price performance, capital structure, London Stock Exchange announcements, current and historic Annual and Half-Yearly Reports, and the latest monthly factsheet on the Company issued by the Manager.

Twitter:
twitter.com/AberdeenTrusts

LinkedIn:
linkedin.com/company/aberdeen-standard-investment-trusts

Alternatively, please call **0808 500 0040** (Freephone), email **company.secretary@aberdeenstandard.com** or write to the address for Aberdeen Standard Investment Trusts stated above.

Details are also available at: **invtrusts.co.uk**.

Key Information Document ("KID")

The KID relating to the Company and published by the Manager can be found on the Company's website.

Literature Request Service

For literature and application forms for Aberdeen Standard Investments' investment trust products, please contact us through: **invtrusts.co.uk**.

Or telephone: **0808 500 4000**

Or write to:
Aberdeen Standard Investment Trusts
PO Box 11020
Chelmsford
Essex CM99 2DB

Terms and Conditions

Terms and conditions for Aberdeen Standard Investments managed savings products can also be found on the Manager's website at: **invtrusts.co.uk**.

Suitable for Retail/NMPI Status

The Company's shares are intended for investors, primarily in the UK, including retail investors, professionally-advised private clients and institutional investors who are seeking long-term capital growth by investment in UK-quoted smaller companies, and who understand and are willing to accept the risks of exposure to equities.

Investors should consider consulting a financial adviser who specialises in advising on the acquisition of shares and other securities before acquiring shares. Investors should be capable of evaluating the risks and merits of such an investment and should have sufficient resources to bear any loss that may result.

The Company currently conducts its affairs so that the securities issued by the Company can be recommended by a financial adviser to ordinary retail investors in accordance with the Financial Conduct Authority's rules in relation to non-mainstream pooled investments ("NMPIs") and intends to continue to do so for the foreseeable future. The Company's securities are excluded from the Financial Conduct Authority's restrictions which apply to NMPIs because they are securities issued by an investment trust.

Online Dealing

There are a number of online dealing platforms for private investors that offer share dealing, ISAs and other means to invest in the Company. Real-time execution-only stockbroking services allow you to trade online, manage your portfolio and buy UK listed shares. These sites do not give advice. Some comparison websites also look at dealing rates and terms.

Discretionary Private Client Stockbrokers

If you have a large sum to invest, you may wish to contact a discretionary private client stockbroker. They can manage your entire portfolio of shares and will advise you on your investments. To find a private client stockbroker visit The Personal Investment Management and Financial Advice Association at: **pimfa.co.uk**.

Financial Advisers

To find an adviser who recommends on investment trusts, visit: **unbiased.co.uk**.

Regulation of Stockbrokers

Before approaching a stockbroker, always check that they are regulated by the Financial Conduct Authority:

Tel: **0800 111 6768**
or at **fca.org.uk/firms/financial-services-register**
Email: **consumer.queries@fca.org.uk**

Voting at General Meetings

If you hold your shares in the Company via a share plan or a platform and would like to attend and/or vote at the Annual General Meeting, then you will need to make arrangements with the administrator of your share plan or platform.

For this purpose, investors who hold their shares in the Company via the Aberdeen Standard Investments Children's Plan, the Aberdeen Standard Investments Share Plan and/or the Aberdeen Standard Investments ISA will find a Letter of Direction enclosed with the Annual Report. Shareholders are encouraged to complete and return the Letter of Direction in accordance with the instructions printed thereon.

Note

Please remember that past performance is not a guide to the future. Stock market and currency movements may cause the value of shares and the income from them to fall as well as rise and investors may not get back the amount they originally invested.

As with all equity investments, the value of investment trusts purchased will immediately be reduced by the difference between the buying and selling prices of the shares, the market maker's spread.

Investors should further bear in mind that the value of any tax relief will depend on the individual circumstances of the investor and that tax rates and reliefs, as well as the tax treatment of ISAs, may be changed by future legislation.

The information on pages 95 to 97 has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) by Aberdeen Asset Managers Limited which is authorised and regulated by the Financial Conduct Authority in the United Kingdom.

Glossary of Terms

Aberdeen Standard Investments

Aberdeen Standard Investments or ASI
Aberdeen Standard Investments is the brand of Standard Life Aberdeen plc.

Investment Manager
Standard Life Investments Limited is a wholly owned subsidiary of Standard Life Aberdeen plc and acts as the Company's investment manager. It is authorised and regulated by the FCA.

Manager, AIFM or ASFML
Aberdeen Standard Fund Managers Limited is a wholly owned subsidiary of Standard Life Aberdeen plc and acts as the Alternative Investment Fund Manager for the Company. It is authorised and regulated by the FCA.

Standard Life Aberdeen Group
The Standard Life Aberdeen plc group of companies.

AIC
The Association of Investment Companies.

AIFMD
The Alternative Investment Fund Managers Directive. The AIFMD is European legislation which created a European-wide framework for regulating managers of 'alternative investment funds' ("AIFs"). It is designed to regulate any fund which is not a UCITS fund and which is managed and/or marketed in the EU. The Company has been designated as an AIF.

Alternative Performance Measures or APMs
Numerical measures of the Company's current, historical or future performance, financial position, other than the financial measures defined or specified in the applicable financial framework. The Company's applicable financial framework includes FRS102 and the AIC SORP.

Capital Return Per Share
The realised and unrealised gains and losses of the investment portfolio net of costs, interest and tax of the Company that have been allocated to capital, divided by the weighted average number of shares in issue during the year.

Closed-End Fund
A collective investment scheme which has a fixed number of shares which are not redeemable from the fund itself. Unlike open-ended funds, new shares/units are not created by managers to meet demand from investors; instead, shares are purchased (or sold) only in the market. Closed-end funds are normally listed on a recognised stock exchange, such as the London Stock Exchange, and shares can be bought and sold on that exchange.

Depositary
A depositary is responsible for cash monitoring, the custody and safeguarding of the Company's financial instruments and monitoring the Company's compliance with investment limits and leverage requirements. The Company's Depositary is BNP Paribas Securities Services, London Branch.

Discount
The amount by which the market price per share of an Investment Trust is lower than the Net Asset Value per share. The discount is normally expressed as a percentage of the Net Asset Value per share.

Dividend Cover
Revenue return per share divided by dividends per share expressed as a ratio.

Dividend per Share
The total of all dividends paid by the Company over the year on a per share basis.

Dividend Yield
The annual dividend expressed as a percentage of the share price.

Earnings per Share or EPS
The net income after tax of the Company divided by the weighted average number of shares in issue during the year. In an Investment Trust this is made up of Revenue EPS and Capital EPS.

FCA
Financial Conduct Authority.

Gearing or Net Gearing
Net gearing is calculated by dividing total borrowings less cash and cash equivalents by Shareholders' Funds, expressed as a percentage.

Index
A market index calculates the average performance of its constituents, normally on a weighted basis. It provides a means against which the performance of individual instruments can be assessed.

Investment Trust
A type of Closed-End Fund which invests in other securities, allowing shareholders to share the risks, and returns, of collective investment.

Key Information Document or KID
The Packaged Retail and Insurance-based Investment Products ("PRIIPS") Regulation requires the Manager, as the Company's PRIIP 'manufacturer', to prepare a Key Information Document ("KID") in respect of the Company. This KID must be made available by the Manager to retail investors prior to them making any investment decision and is available via the Company's website. The Company is not responsible for the information contained in the KID and investors should note that the procedures for calculating the risks, costs and potential returns are prescribed by law. The figures in the KID may not reflect the expected returns for the Company and anticipated performance.

Leverage
For the purposes of the AIFMD, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Company's exposure and its Net Asset Value and can be calculated on a gross and a commitment method. Under the gross method, exposure represents the sum of the Company's positions after the deduction of sterling cash balances, without taking into account any hedging and netting arrangements. Under the commitment method, exposure is calculated without the deduction of sterling cash balances and after certain hedging and netting positions are offset against each other.

Market Capitalisation
The latest price of an Ordinary share multiplied by the number of shares in issue.

Net Asset Value, NAV or Shareholders' Funds
The value of total assets less liabilities. Liabilities for this purpose include current and long-term liabilities. The Net Asset Value divided by the number of shares in issue produces the Net Asset Value per Ordinary share.

Ongoing Charges
Ratio of total expenses as a percentage of average daily Shareholders' Funds calculated as per the AIC's industry standard method.

Pre-Investment Disclosure Document ("PIDD")
The AIFM and the Company are required to make certain disclosures available to investors in accordance with the AIFMD. Those disclosures that are required to be made pre-investment are included within a PIDD, which can be found on the Company's website.

Premium
The amount by which the market price per share of an Investment Trust exceeds the Net Asset Value per share. The premium is normally expressed as a percentage of the Net Asset Value per share.

Price/Earnings Ratio
This is calculated by dividing the market price per share by the earnings per share. The calculation assumes no change in earnings but in practice the multiple reflects the stock market's view of a company's prospects and profit growth potential.

Prior Charges
The name given to all borrowings including debentures, loans and overdrafts that are to be used for investment purposes, reciprocal foreign currency loans, currency facilities to the extent that they are drawn down, index-linked securities, and all types of preference or preferred capital, irrespective of the time until repayment.

Record Date
The date when an investor needs to be holding a share in order to qualify for a forthcoming dividend.

Revenue Return Per Share
The net income from dividends and interest received, after costs, interest and tax allocated to revenue, divided by the weighted average number of shares in issue during the year.

Total Assets
Total assets less current liabilities (before deducting Prior Charges as defined above), as per the Statement of Financial Position.

Total Return
The theoretical return including reinvesting each dividend in additional shares in the Company on the day that the shares go ex-dividend. The NAV Total Return involves investing the same net dividend in the NAV of the Company on the ex-dividend date.

Share Capital History

Issued Share Capital at 30 June 2020

100,065,198	Ordinary shares of 25p (104,164,422 including treasury shares)

Treasury Shares at 30 June 2020

4,099,224	Ordinary shares

Share Capital History

Year ended 30 June 1994	The Company's authorised share capital on incorporation was £15,000,000, divided into 60,000,000 Ordinary shares of 25p each. On 19 August 1993, 50,000,000 Ordinary shares (with one Warrant attached for every five Ordinary shares) were issued at £1 each. On 25 March 1994, the authorised share capital of the Company was increased to £75,000,000 by the creation of 50,000,000 limited Conversion ("C") shares of £1 each and 40,000,000 Ordinary shares of 25p each. On 28 March 1994, a further 21,428,000 'C' shares were issued at £1 each, at par. On 7 June 1994, the C shares of £1 each were converted into Ordinary shares, resulting in the issue of 19,436,770 Ordinary shares (with one Warrant for every five Ordinary shares).
Year ended 30 June 2007	32,629,217 Ordinary shares purchased for cancellation and 117,791 Warrants cancelled following the tender offer which was approved by shareholders on 9 November 2006.
	2,194,000 Ordinary shares purchased for cancellation.
Year ended 30 June 2008	559,175 Ordinary shares purchased to hold in treasury.
Year ended 30 June 2009	On 4 February 2009, as part of the merger with Gartmore Smaller Companies Trust plc ("Gartmore"), 31,189,825 Conversion ("C") shares issued to former Gartmore shareholders. On 14 April 2009, 27,545,948 of the C shares were converted into 26,273,612 Ordinary shares. On 11 June 2009, the remaining 3,643,877 C shares were converted into 3,687,639 Ordinary shares.
	1,164,545 Warrants exercised as a result of the last exercise date of 30 September 2008, which resulted in the issue of the same number of new Ordinary shares. 1,732,965 Warrants lapsed without value.
Year ended 30 June 2011	3,670,243 Ordinary shares purchased to hold in treasury, 4,229,418 Ordinary shares sold from treasury and 825,000 new Ordinary shares issued.
	£25 million nominal of 3.5% Convertible Unsecured Loan Stock 2018 ("CULS") issued.
Year ended 30 June 2012	425,000 new Ordinary shares issued.
	22,003 new Ordinary shares issued as a result of the first conversion of CULS as at 30 September 2011. 5,346 new Ordinary shares issued as a result of the second conversion of CULS as at 31 March 2012.
Year ended 30 June 2013	1,650,000 new Ordinary shares issued.
	4,679 new Ordinary shares issued as a result of the third conversion of CULS as at 30 September 2012. 11,404 new Ordinary shares issued as a result of the fourth conversion of CULS as at 31 March 2013.
Year ended 30 June 2014	2,900,000 new Ordinary shares issued.
	1,038,382 new Ordinary shares issued as a result of the fifth conversion of CULS as at 30 September 2013. 779,216 new Ordinary shares issued as a result of the sixth conversion of CULS as at 31 March 2014.

Year ended 30 June 2015	2,307,155 Ordinary shares purchased to hold in treasury.
	243,589 new Ordinary shares issued as a result of the seventh conversion of CULS as at 30 September 2014. 98,580 Ordinary shares issued from treasury as a result of the eighth conversion of CULS as at 31 March 2015.
Year ended 30 June 2016	3,470,930 Ordinary shares purchased to hold in treasury following the tender offer which completed on 28 July 2015.
	669,513 Ordinary shares issued from treasury as a result of the ninth conversion of CULS as at 30 September 2015. 803,871 Ordinary shares issued from treasury as a result of the tenth conversion of CULS as at 31 March 2016.
Year ended 30 June 2017	443,818 Ordinary shares purchased to hold in treasury.
	378,514 Ordinary shares issued from treasury as a result of the eleventh conversion of CULS as at 30 September 2016. 895,583 Ordinary shares issued from treasury as a result of the twelfth conversion of CULS as at 31 March 2017.
Year ended 30 June 2018	927,892 Ordinary shares issued from treasury as a result of the thirteenth conversion of CULS as at 30 September 2017. 4,658,405 new Ordinary Shares issued as a result of the final conversion of CULS as at 31 March 2018.
Year ended 30 June 2019	27,878,842 new Ordinary shares issued as a result of the merger with Dunedin Smaller Companies Investment Trust PLC which completed on 8 October 2018.
	1,131,061 Ordinary shares purchased to hold in treasury.
Year ended 30 June 2020	520,213 Ordinary shares purchased to hold in treasury.

Share Capital History Continued

Year ended 30 June	Ordinary shares bought back for cancellation	Ordinary shares bought back into treasury	Ordinary shares issued from treasury	Ordinary shares issued	Ordinary shares in issue (excluding treasury shares)	Convertible Unsecured Loan Stock issued (£)	Convertible Unsecured Loan Stock exercised (£)	Convertible Unsecured Loan Stock total (£)	Warrants exercised	Warrants bought back	Warrants lapsed	Total Warrants In issue
1994	-	-	-	-	69,436,770	-	-	-	-	-	-	13,886,996
1995	-	-	-	-	69,525,796	-	-	-	89,026	-	-	13,797,970
1996	-	-	-	-	69,527,676	-	-	-	1,880	-	-	13,796,090
1997	-	-	-	-	69,528,656	-	-	-	980	1,592,201	-	12,202,909
1998	-	-	-	-	69,529,717	-	-	-	1,061	6,075,144	-	6,126,704
1999	-	-	-	-	69,530,267	-	-	-	550	1,350,000	-	4,776,154
2000	-	-	-	-	69,543,990	-	-	-	13,723	1,671,143	-	3,091,288
2001	-	-	-	-	69,601,685	-	-	-	57,695	-	-	3,033,593
2002	2,200,000	-	-	-	67,403,646	-	-	-	1,961	-	-	3,031,632
2003	-	-	-	-	67,403,646	-	-	-	-	-	-	3,031,632
2004	-	-	-	-	67,403,646	-	-	-	-	-	-	3,031,632
2005	-	-	-	-	67,404,646	-	-	-	1,000	-	-	3,030,632
2006	-	-	-	-	67,404,746	-	-	-	100	-	-	3,030,532
2007	34,823,217	-	-	-	32,583,790	-	-	-	2,261	117,791	-	2,910,480
2008	-	559,175	-	-	32,037,585	-	-	-	12,970	-	-	2,897,510
2009	-	-	-	29,961,251	63,163,381	-	-	-	1,164,545	-	1,732,965	-
2010	-	-	-	-	63,163,381	-	-	-	-	-	-	-
2011	-	3,670,243	4,229,418	825,000	64,547,556	25,000,000	-	25,000,000	-	-	-	-
2012	-	-	-	452,349	64,999,905	-	64,929	24,935,071	-	-	-	-
2013	-	-	-	1,666,083	66,665,988	-	38,184	24,896,887	-	-	-	-
2014	-	-	-	4,717,598	71,383,586	-	4,312,437	20,584,450	-	-	-	-
2015	-	2,307,155	98,580	243,589	69,418,600	-	811,868	19,772,582	-	-	-	-
2016	-	3,470,930	1,473,384	-	67,421,054	-	3,495,770	16,276,812	-	-	-	-
2017	-	443,818	1,274,097	-	68,251,333	-	3,022,923	13,253,889	-	-	-	-
2018	-	-	927,892	4,658,405	73,837,630	-	13,253,889	-	-	-	-	-
2019	-	1,131,061	-	27,878,842	100,585,411	-	-	-	-	-	-	-
2020	-	520,213	-	-	100,065,198	-	-	-	-	-	-	-

AIFMD Disclosures (unaudited)

Aberdeen Standard Fund Managers Limited and the Company are required to make certain disclosures available to investors in accordance with the Alternative Investment Fund Managers Directive ("AIFMD"). Those disclosures that are required to be made pre-investment are included within a pre-investment disclosure document ("PIDD") which can be found on the Company's website.

There have been no material changes to the disclosures contained within the PIDD since its most recent update in September 2019.

The periodic disclosures as required under the AIFMD to investors are made below:

- information on the investment strategy, geographic and sector investment focus and principal stock exposures is included in the Strategic Report;
- none of the Company's assets are subject to special arrangements arising from their illiquid nature;
- the Strategic Report, note 16 to the financial statements and the PIDD together set out the risk profile and risk management systems in place. There have been no changes to the risk management systems in place in the period under review and no breaches of any of the risk limits set, with no breach expected;
- there are no new arrangements for managing the liquidity of the Company or any material changes to the liquidity management systems and procedures employed by ASFML; and
- all authorised Alternative Investment Fund Managers are required to comply with the AIFMD Remuneration Code. In accordance with the Remuneration Code, the AIFM's remuneration policy is available from the Company Secretary, Aberdeen Asset Management PLC, on request, and the remuneration disclosures in respect of the AIFM's reporting period for the year ended 31 December 2019 are available on the Company's website.

Leverage

The table below sets out the current maximum permitted limit and actual level of leverage for the Company:

	Gross Method	Commitment Method
Maximum level of leverage	3.00:1	2.00:1
Actual level at 30 June 2020	1.05:1	1.10:1

There have been no breaches of the maximum level during the period and no changes to the maximum level of leverage employed by the Company. There have been no changes to the circumstances in which the Company may be required to post assets as collateral and no guarantees granted under the leveraging arrangement. Changes to the information contained either within this Annual Report or the PIDD in relation to any special arrangements in place, the maximum level of leverage which ASFML may employ on behalf of the Company, the right of use of collateral or any guarantee granted under any leveraging arrangement, or any change to the position in relation to any discharge of liability by the Depositary will be notified via a regulatory news service without undue delay in accordance with the AIFMD.

The information on this page has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) by Aberdeen Standard Fund Managers Limited which is authorised and regulated by the Financial Conduct Authority in the United Kingdom.

General

The Annual General Meeting of Standard Life UK Smaller Companies Trust plc will be held at 6 St Andrew Square, Edinburgh EH2 2BD at 12 noon on Wednesday 21 October 2020.

Given the risks posed by the spread of the COVID-19 virus and in accordance with the provisions of the Articles of Association and Government guidance, physical attendance at the Annual General Meeting may not be possible. If the law or Government guidance so requires at the time of the meeting, the Chairman will limit, in his/her sole discretion, the number of individuals in attendance at the meeting. Should Government measures be relaxed by the time of the meeting, the Company may still impose entry restrictions, pursuant to its Articles of Association, on certain persons wishing to attend the Annual General Meeting in order to ensure the safety of those attending the meeting.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Standard Life UK Smaller Companies Trust plc will be held at 6 St Andrew Square, Edinburgh EH2 2BD on Wednesday 21 October 2020 at 12 noon for the following purposes:

Ordinary Business

As ordinary business, to consider and, if thought fit, pass the following resolutions, in the case of numbers 1 to 12 inclusive, as ordinary resolutions and, in the case of numbers 13 and 14, as special resolutions:

1. To receive and consider the Directors' Report and financial statements for the year ended 30 June 2020, together with the Independent Auditor's report thereon.

2. To receive and approve the Directors' Remuneration Report for the year ended 30 June 2020.

3. To approve the Directors' Remuneration Policy.

4. To approve a final dividend for the year ended 30 June 2020 of 5.00 pence per Ordinary share.

5. To re-elect Ashton Bradbury as a Director of the Company.

6. To re-elect Alexa Henderson as a Director of the Company.

7. To re-elect Caroline Ramsay as a Director of the Company.

8. To re-elect Tim Scholefield as a Director of the Company.

9. To re-elect Liz Airey as a Director of the Company.

10. To re-appoint KPMG LLP as Independent Auditor of the Company to hold office until the conclusion of the next Annual General Meeting at which accounts are laid before the Company.

11. To authorise the Directors to fix the remuneration of the Independent Auditor for the year to 30 June 2021.

12. Authority to allot shares
    That, in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date hereof, the Directors of the Company be and they are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company ("Securities") provided that such authority shall be limited to the allotment of shares and the grant of rights in respect of shares up to 10% of the nominal value of the issued share capital (excluding treasury shares) of the Company, as at the date of the passing of this resolution, such authority to expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on the expiry of 15 months from the passing of this resolution, whichever is the earlier, unless previously revoked, varied or extended or renewed by the Company in a general meeting, save that the Company may at any time prior to the expiry of this authority make an offer or enter into an agreement which would or might require Securities to be allotted or granted after the expiry of such authority and the Directors shall be entitled to allot or grant Securities in pursuance of such an offer or agreement as if such authority had not expired.

13. Disapplication of pre-emption rights
    That, subject to the passing of resolution 12 set out above, and in substitution for any existing power but without prejudice to the exercise of any such power prior to the date hereof, the Directors of the Company be and they are hereby generally empowered (i), pursuant to Section 570 of the Companies Act 2006 (the "Act"), to allot equity securities (as defined in Section 560 of the Act), including the grant of rights to subscribe for, or to convert securities into Ordinary shares for cash pursuant to the authority given by resolution 12 set out above and (ii), pursuant to Section 573 of the Act to sell equity securities for cash out of treasury as if Section 561(1) of the Act did not apply to any such allotment, or sale out of treasury, of equity securities, provided that this power:

Notice of Annual General Meeting Continued

a) expires at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on the expiry of 15 months from the passing of this resolution, whichever is the earlier, unless previously revoked, voted, extended or renewed by the Company in a general meeting save that the Company may, at any time prior to the expiry of this authority, make an offer or enter into an agreement which would or might require equity securities to be allotted or sold out of treasury after such expiry and the Directors may allot or sell out of treasury equity securities in pursuance of any such offer or agreement as if the power conferred hereby had not expired; and

b) shall be limited to the allotment, or sale out of treasury, of equity securities up to an aggregate nominal value of 10% of the nominal value of the issued share capital of the Company, as at the date of the passing of this resolution.

14. Authority to make market purchases of shares
That the Company be and is hereby generally and, subject as hereinafter appears, unconditionally authorised in accordance with Section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of Section 693(4) of the Act) of Ordinary shares of 25p each in the capital of the Company (the "Shares") either for retention as treasury shares for future reissue, resale, transfer or cancellation:

Provided always that:

(a) the maximum number of Shares hereby authorised to be purchased shall be 14.99% of the Company's issued share capital at the date of the passing of this resolution (excluding treasury shares);

(b) the minimum price (exclusive of expenses) which may be paid for each Share shall be 25p;

(c) the maximum price (exclusive of expenses) which may be paid for a Share is the higher of (i) 105% of the average of the middle market quotations (as derived from the Daily Official List of the London Stock Exchange) for the Shares over the five business days immediately preceding the date of purchase and (ii) the higher of the last independent trade and the highest current independent bid on the trading venue which the purchase is carried out; and

(d) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on the expiry of 15 months from the passing of this resolution, whichever is earlier, unless previously revoked, varied, extended or renewed by the Company in a general meeting, save that the Company may, at any time prior to the expiry of this authority enter into a contract to purchase shares under such authority which will or might be completed or executed wholly or partly after the expiration of such authority and may make a purchase of Shares pursuant to any such contract.

Special Business

As special business, to consider and, if thought fit, pass resolution 15 as an ordinary resolution and resolutions 16 to 18 as special resolutions:

15. Authority to sell shares from treasury at a discount to net asset value
That, subject to the passing of resolution 13 set out above, the Directors of the Company be authorised for the purposes of paragraph 15.4.11 of the Listing Rules of the Financial Conduct Authority to sell or transfer out of treasury Ordinary shares of 25p each in the capital of the Company (the "Share(s)") for cash at a price below the net asset value per Share of the existing Shares in issue (excluding treasury shares), provided always that:

(a) such sale or transfer will be limited to a sale or transfer at a price in excess of the average price at which the Shares were bought into treasury;

(b) where any treasury shares are sold pursuant to this power at a discount to the then prevailing net asset value of the Shares, such discount must be lower than the average discount to the net asset value per Share at which the Company acquired the Shares which it then holds in treasury;

(c) the aggregate net asset value dilution associated with all the sale of treasury shares in any one financial year does not exceed 0.5% of net assets;

(d) this power shall be limited to the sale of Shares having an aggregate nominal value of up to 10% of the nominal value of the issued share capital of the Company as at the date of the passing of this resolution and provided further that the number of Shares to which this power applies shall be reduced from time to time by the number of Shares which are allotted or sold out of treasury for cash as if Section 561(1) of the Companies Act 2006 did not apply pursuant to the power conferred on the Directors by resolution 13 set out above; and

(e) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, or on the expiry of 15 months from passing of this resolution, whichever is earlier, unless previously revoked, varied, extended or renewed by the Company in a general meeting, save that the Company may, at any time prior to the expiry of this authority, make an offer or agreement which would or might otherwise require treasury shares to be sold after such expiry and the Directors may sell treasury shares pursuant to such offer or agreement as if the power conferred hereby had not expired.

16. Tender Offers
That, in addition to the authority given to the Company to purchase its own Ordinary shares of 25p each (the "Shares") pursuant to resolution 14 set out above and in accordance with the terms and conditions of the tender offer(s) which may be set out in the circular to be sent electronically or, if requested in hard copy form to shareholders, the Company be and is hereby authorised for the purpose of Section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of Section 693(4) of the Act) of its issued Shares either for cancellation or for retention as treasury shares for future reissue, resale or transfer provided that:

(a) the maximum number of Shares hereby authorised to be purchased pursuant to one or more tender offer(s) is 10% of the Shares in issue (excluding any Shares held in treasury) as at the date of the passing of this resolution;

(b) the price which shall be paid for a Share pursuant to any such tender offer made by the Company under the authority conferred hereby shall be an amount equal to 98% of realisation value of all the assets attributable to the Shares tendered as at the latest practicable time before such tender offer; and

(c) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on the expiry of 15 months from the date of passing of this resolution, whichever is earlier, unless previously revoked, varied, extended or renewed by the Company in a general meeting save that the Company may, prior to such expiry, enter into a contract to purchase Shares which will or may be completed or executed wholly or partly after the expiration of such authority and may make a purchase of Shares pursuant to any such contract.

17. Notice of General Meeting
That a general meeting other than an Annual General Meeting may be called on not less than 14 clear days' notice.

18. Adoption of New Articles of Association
That the Articles of Association produced to the meeting and signed by the chairman of the meeting for the purposes of identification be approved and adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association with effect from the conclusion of the meeting.

By order of the Board
Aberdeen Asset Management PLC
Company Secretary
1 George Street
Edinburgh EH2 2LL
8 September 2020

Registered Office
1 George Street
Edinburgh EH2 2LL

Notice of Annual General Meeting Continued

NOTES:

i. A shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend, speak and vote instead of him/her or on his/her behalf at the meeting. A proxy need not be a shareholder. The shareholder may appoint more than one proxy, provided that each proxy is appointed to attend, speak and vote in respect of a different share or shares. If you wish your proxy to speak on your behalf at the meeting, you will need to appoint your own choice of proxy (not the chairman of the meeting) and give instructions directly to them. Appointing a proxy will not prevent a shareholder from attending in person and voting at the meeting. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice. If you do not have a proxy form and believe that you should, or if you would like to appoint more than one proxy, please contact the Company's Registrar, Computershare Investor Services PLC on 0370 889 4076. In the case of joint holders, the vote of the first named in the register of members of the Company who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of other joint holders.

ii. To be valid, the appointment of a proxy, and the original or duly certified copy of the power of attorney or other authority, if any, under which it is signed or authenticated, should be sent to the Company's Registrar, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ so as to arrive not less than 48 hours (excluding non-working days) before the time fixed for the meeting.

iii. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those shareholders registered in the register of members of the Company at close of business on 19 October 2020 (or, if the meeting is adjourned, 48 hours (excluding non-working days) before the time fixed for the adjourned meeting) shall be entitled to attend or vote at the meeting in respect of the number of Ordinary shares registered in their name at that time. In each case, changes to entries on the register of members of the Company after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

iv. Any shareholder holding 3% or more of the total voting rights of the Company who appoints a person other than the chairman of the meeting as his or her proxy(ies) will need to ensure that both he or she and his/her proxy(ies) comply with their respective disclosure obligations under the FCA Disclosure, Guidance and Transparency Rules.

v. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual and/or by logging in to the website www.euroclear. com/CREST. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

vi. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("EUI") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID number 3RA50) by 12 noon on 19 October 2020 (or, if the meeting is adjourned, 48 hours (excluding non-working days) before the time fixed for the adjourned meeting). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

vii. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

viii. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

ix. A person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights. The statements of the rights of members in relation to the appointment of proxies in notes i and ii above do not apply to a Nominated Person. The rights described in those Notes can only be exercised by registered members of the Company.

x. The terms of appointment of the Directors of the Company are available for inspection on any day (except Saturdays, Sundays and bank holidays) from the date of this notice until the date of the meeting during usual business hours at the registered office of the Company and will, on the date of the meeting, be available for inspection at the venue of the meeting from 15 minutes before the meeting until the conclusion of the meeting.

xi. Shareholders are advised that, unless otherwise stated, any telephone number, website or email address which may be set out in this notice of Annual General Meeting or in any related documents (including the proxy form or form of direction) is not to be used for the purposes of serving information or documents on, or otherwise communicating with, the Company for any purposes other than those expressly stated.

xii. Following the meeting, the results of the voting at the meeting and the numbers of proxy votes cast for and against and the number of votes actively withheld in respect of each of the resolutions will be announced via a Regulatory Information Service and placed on the Company's website: **standardlifeuksmallercompaniestrust.co.uk.**

xiii. It is possible that, pursuant to requests made by members of the Company under Section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the Independent Auditor's report and the conduct of the audit) that are to be laid before the meeting: or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the Companies Act 2006. The Company will be required to do so once it has received such requests either from members representing at least 5% of the voting rights of the Company or from at least 100 members who have a relevant right to vote and hold shares in the Company on which there has been paid up an average sum per member of at least £100. Such requests must be made in writing and must state the member's full name and address and be sent to the Company's registered office. The Company may not require the members requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Companies Act 2006.

xiv. As at 6.00pm on 8 September 2020 (being the last practicable date prior to publication of this notice) the Company's issued share capital comprised 100,044,843 Ordinary shares of 25p each. Each Ordinary share (other than any Ordinary shares held in treasury) carries the right to one vote at a general meeting of the Company. Accordingly, the total number of voting rights in the Company as at 8 September 2020 was 100,044,843.

xv. If you wish to attend the meeting in person, there will be a Members' register for you to sign on arrival. Under section 319A of the Companies Act 2006, the Company must answer any question relating to the business being dealt with at the meeting put by a member attending the meeting unless:

a) answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;

b) the answer has already been given on a website in the form of an answer to a question; or

c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

xvi. Information regarding the Annual General Meeting, including information required by Section 311A of the Companies Act 2006, is available from the Company's website: **standardlifeuksmallercompaniestrust.co.uk.**

Notice of Annual General Meeting Continued

xvii. A copy of the New Articles, together with a copy showing all of the proposed changes to the Existing Articles, will be available for inspection on the Company's website, **standardlifeuksmallercompaniestrust.co.uk**, and at the offices of Dickson Minto W.S., Broadgate Tower, 20 Primrose Street, London EC2A 2EW between the hours of 9.00am and 5.00pm (Saturdays, Sundays and public holidays excepted), from the date of the Notice of the AGM until the close of the AGM, and will also be available for inspection at the venue of the AGM from 15 minutes before and during the AGM.

xviii. **Given the risks posed by the spread of the COVID-19 virus and in accordance with the provisions of the Articles of Association and Government guidance, physical attendance at the Annual General Meeting may not be possible. If the law or Government guidance so requires at the time of the meeting, the Chairman will limit, in his/her sole discretion, the number of individuals in attendance at the meeting. Should Government measures be relaxed by the time of the meeting, the Company may still impose entry restrictions, pursuant to its Articles of Association, on certain persons wishing to attend the Annual General Meeting in order to ensure the safety of those attending the meeting.**

Appendix to the Notice of Annual General Meeting

Summary of the principal amendments to the Company's Articles of Association
Set out below is a summary of the principal amendments which will be made to the Company's Existing Articles through the adoption of the New Articles if resolution 18 to be proposed at the AGM is approved by shareholders.

This summary is intended only to highlight the principal amendments which are likely to be of interest to shareholders. It is not intended to be comprehensive and cannot be relied upon to identify amendments or issues which may be of interest to all shareholders. This summary is not a substitute for reviewing the full terms of the New Articles which will be available for inspection on the Company's website, standardlifeuksmallercompaniestrust.co.uk, and at the offices of Dickson Minto W.S., Broadgate Tower, 20 Primrose Street, London EC2A 2EW between the hours of 9.00am and 5.00pm (Saturdays, Sundays and public holidays excepted), from the date of the Notice of AGM until the close of the AGM, and will also be available for inspection at the venue of the AGM from 15 minutes before and during the AGM.

Hybrid/Virtual-only shareholder meetings
The New Articles permit the Company to hold shareholder meetings on a virtual basis, whereby shareholders are not required to attend the meeting in person at a physical location but may instead attend and participate using electronic means. A shareholder meeting may be virtual-only if attendees participate only by way of electronic means, or may be held on a hybrid basis whereby some attendees attend in person at a physical location and others attend remotely using electronic means. This should make it easier for the Company's shareholders to attend shareholder meetings if the Board elects to conduct meetings using electronic means. Amendments have been made throughout the New Articles to facilitate the holding of hybrid or virtual-only shareholder meetings.

While the New Articles (if adopted) would permit shareholder meetings to be conducted using electronic means, the Directors have no present intention of holding a virtual-only meeting. These provisions will only be used where the Directors consider it is in the best of interests of shareholders for a hybrid or virtual-only meeting to be held. Nothing in the New Articles will prevent the Company from holding physical shareholder meetings.

International tax regimes requiring the exchange of information
The Board is proposing to include provisions in the New Articles to provide the Company with the ability to require shareholders to co-operate in respect of the exchange of information to comply with the Company's international tax reporting obligations.

The Hiring Incentives to Restore Employment Act 2010 of the United States of America (commonly known as the Foreign Account Tax Compliance Act) and all associated regulations and official guidance ("FATCA") imposes a system of information reporting on certain entities including foreign financial institutions such as the Company following the enactment of the UK International Tax Compliance (United States of America) Regulations 2013 on 1st September 2013 (as replaced by the International Tax Compliance Regulations 2015 (the "Regulations")).

It is proposed that the Existing Articles will be amended to provide the Company with the ability to require shareholders to co-operate with it so that the Company is able to comply with its obligations under the Regulations in order to avoid being deemed to be a 'Nonparticipating Financial Institution' for the purposes of FATCA (and consequently having to pay withholding tax to the US Internal Revenue Service). The Existing Articles will also be amended to ensure that the Company will not be liable for any monies that become subject to a deduction or withholding relating to FATCA, as such liability would be to the detriment of shareholders as a whole.

The Regulations also include the automatic exchange of information regimes brought in by the tax regulation under the OECD (Organisation for Economic Co-operation and Development) Common Reporting Standard for Automatic Exchange of Financial Account Information (the "Common Reporting Standard") which requires investment trust companies to provide personal information to HMRC on certain investors who purchase shares in investment trusts. As a result, the Company will have to provide information annually to the local tax authority on the tax residency of a number of non-UK based certified shareholders and corporate entities.

Therefore, the Existing Articles will also be amended in order to provide the Company with the ability to require shareholders to co-operate in respect of these broader obligations including its obligations under the Common Reporting Standard and FATCA.

Appendix to the Notice of Annual General Meeting Continued

Minor amendments

The Board is also taking the opportunity to make some additional minor or technical amendments to the Existing Articles, including: (i) removing the authorised share capital provisions; (ii) providing clarity on the Board's ability to establish a capital reserve which may be used for any of the purposes to which sums standing to any revenue reserve may be applied (including to fund dividend payments and share buy backs if the Board believes it is in the best interests of the Company to do so); (iii) the inclusion of a procedure in the event an insufficient number of Directors are re-elected at an annual general meeting of the Company; and (iv) allowing the Company to pay dividends through bank transfers instead of by way of cheques with the further ability to retain cash payments where bank details are not provided by a shareholder. These changes reflect modern best practice and are intended to relieve certain administrative burdens on the Company.

Contact Addresses

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Ashton Bradbury
Alexa Henderson
Caroline Ramsay
Tim Scholefield

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